THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Synertone Communication Corporation, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

SYNERTONE

協同通信集團有限公司
SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE;
(III) APPLICATION FOR WHITEWASH WAIVER;
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(V) NOTICE OF EGM

Financial adviser to the Company

CLC INTERNATIONAL LIMITED
創僑國際有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

A letter of advice from the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 61 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out from pages 36 to 37 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" from pages 9 to 10 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at 9/F., Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, China at 9:00 a.m. on Wednesday, 23 March 2016 is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

7 March 2016

CONTENTS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 5 February 2016 in relation to, among other matters, the Share Consolidation, the Rights Issue and the application for Whitewash Waiver
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Share(s)"	ordinary share(s) of HK$0.05 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective
"Controlling Shareholder"	has the same meaning ascribed to it in the Listing Rules
"CWUMPO"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 9/F., Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, China on Wednesday, 23 March 2016 at 9:00 a.m. and convened to consider and, if thought fit, approve the Share Consolidation, the Underwriting Agreement, the Rights Issue, the Whitewash Waiver and the Increase in Authorised Share Capital

"Excel Time" or "Underwriter"	Excel Time Investments Limited, a company incorporated in the British Virgin Islands holding 1,230,000,000 Shares (or about 14.69% of the issued Shares) as at the Latest Practicable Date, being the underwriter of the Rights Issue
"Excluded Shareholders"	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant overseas regulatory bodies or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
"Executive"	Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Increase in Authorised Share Capital"	the proposed increase in authorised share capital of the Company from HK$200,000,000 to HK$400,000,000 by the creation of 4,000,000,000 new Consolidated Shares
"Independent Board Committee"	a committee of the Board, comprising Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen, all being independent non-executive Directors, established to advise the Independent Shareholders regarding the Underwriting Agreement, the Rights Issue and the Whitewash Waiver
"Independent Financial Adviser" or "Goldin"	Goldin Financial Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and advise the Independent Shareholders as to how to vote at the EGM

"Independent Shareholders"	the Shareholders other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter and the parties acting in concert with it (including the 600,000,000 Shares held pending transfer to Ms. Ni Yunzi pursuant to the court order); and (iii) any Shareholders who are involved in or interested or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
"Independent Third Party"	third party independent of the Company and its connected persons (as defined in the Listing Rules)
"Last Trading Day"	5 February 2016, being the last full trading day of the Shares on the Stock Exchange prior to the release of the Announcement
"Latest Lodging Date"	4:30 p.m. on Thursday, 31 March 2016 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of Shares and/or exercising Share Options in order to be qualified for the Rights Issue
"Latest Practicable Date"	4 March 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 21 April 2016 or such other date and/or time as the Underwriter and the Company may agree as the latest date for acceptance and payment in respect of the Rights Issue
"Latest Time for Termination"	5:00 p.m. on Wednesday, 27 April 2016 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Overseas Shareholders(s)"	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with register address(es) outside Hong Kong
"PAL"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

"PRC"	the People's Republic of China which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Documents"	together, the Prospectus and the PAL
"Prospectus Posting Date"	7 April 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of posting of the Prospectus Documents by the Company to the Qualifying Shareholders
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders, if any
"Record Date"	6 April 2016, the record date to determine entitlements to the Rights Issue
"Registrar"	Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Company's Hong Kong branch share registrar
"Relevant Period"	the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date
"Rights Issue"	the issue of not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date payable in full on acceptance
"Rights Share(s)"	new Consolidated Share(s) to be allotted and issued in respect of the Rights Issue
"SFC"	The Securities and Futures Commission in Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued and unissued share capital of the Company before the Share Consolidation becoming effective
"Share Consolidation"	the proposed consolidation of every five (5) issued and unissued Shares of HK$0.01 each into one (1) Consolidated Share of HK$0.05

"Share Option(s)"	the share options granted by the Company pursuant to the share option scheme adopted on 22 March 2012, exercisable into the Shares at the exercise price of HK$0.50 per Share (subject to adjustment)
"Shareholder(s)"	holder(s) of the Share(s) or the Consolidated Share(s), as the case may be
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK$0.125 per Rights Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriting Agreement"	the underwriting agreement entered into between the Company and the Underwriter dated 5 February 2016 (as supplemented on 26 February 2016) in relation to the Rights Issue
"Underwritten Shares"	the number of Rights Shares to be underwritten by the Underwriter up to a maximum of 1,582,879,995 Rights Shares
"Vested Share Options"	Share Options which have been validly vested to the holders entitling them to subscribe for Shares on or before the Record Date (being Share Options in respect of 114,399,976 Shares as at the Latest Practicable Date)
"Warrants"	the outstanding unlisted warrants issued by the Company to Citic Capital Management Limited on 22 September 2014, exercisable into 660,000,000 Shares (or 132,000,000 Consolidated Shares) at the subscription price of HK$0.59 per Share (subject to adjustment)
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and the parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

Set out below is the expected timetable for the Share Consolidation and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	**2016**
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM	4:30 p.m. on Friday, 18 March
Latest time for lodging forms of proxy for the purpose of the EGM	9:00 a.m. on Monday, 21 March
Closure of register of members of the Company (both dates inclusive)	Monday, 21 March to Wednesday, 23 March
Expected date and time of the EGM	9:00 a.m. on Wednesday, 23 March
Announcement of poll results of the EGM	Wednesday, 23 March
Effective Date of the Share Consolidation and the Increase in Authorised Share Capital	Thursday, 24 March
Dealings in the Consolidated Shares commences	9:00 a.m. on Thursday, 24 March
Original counter for trading in existing Shares in board lots of 8,000 existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 24 March
Temporary counter for trading in Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 24 March
First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares commences	Thursday, 24 March
Last day of dealings in Consolidated Shares on a cum-rights basis	Tuesday, 29 March

Event	**2016**
First day of dealings in Consolidated Shares on an ex-right basis	Wednesday, 30 March
Latest time for the Shareholders to lodging transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 31 March
Closure of register of members of the Company (both dates inclusive)	Friday, 1 April to Wednesday, 6 April
Record Date and time for determining entitlements to the Rights Issue	4:30 p.m. on Wednesday, 6 April
Register of members of the Company re-opens	Thursday, 7 April
Despatch of Prospectus Documents	Thursday, 7 April
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 11 April
Original counter for trading in Consolidated Shares in board lots of 8,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 12 April
Parallel trading in Consolidated Shares (in the form of both existing certificate in board lots of 1,600 Consolidated Shares and new certificates in board lots of 8,000 Consolidated Shares) commences	9:00 a.m. on Tuesday, 12 April
First day of odd lot arrangement	Tuesday, 12 April
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 13 April
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 18 April
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Thursday, 21 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	5:00 p.m. on Wednesday, 27 April
Announcement of results of the Rights Issue	Thursday, 28 April

Event	**2016**
Refund cheques, if any, to be despatched if the Rights Issue is terminated on or before	Friday, 29 April
Certificates for fully paid Rights Shares to be despatched on or before	Friday, 29 April
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 3 May
Temporary counter for trading in Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Wednesday, 3 May
Last day of odd lot arrangement	Wednesday, 3 May
Parallel trading in Consolidated Shares (represented by both existing certificates in board lots of 1,600 Consolidated Shares and new certificates in board lots of 8,000 Consolidated Shares) ends	4:00 p.m. on Wednesday, 3 May
Last day for free exchange of existing share certificates for the new share certificates for the Consolidated Shares	Monday, 5 May

Note: All references to time in this circular are references to Hong Kong time.

EFFECT OF BAD WEATHER AT THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or

- a "black" rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 21 April 2016. Instead, the Latest Time for Acceptance will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned in the section headed "EXPECTED TIMETABLE" in this circular may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospectus of the Group as a whole; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

(8) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriting Agreement further contains provisions that the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK$0.125 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	8,372,000,000 Shares
Number of Consolidated Shares expected to be in issue as a the Record Date:	1,674,400,000 Consolidated Shares (assuming none of the outstanding Share Options and the Warrants are exercised)
Number of Rights Shares:	not less than 1,674,400,000 Rights Shares (assuming none of the Share Options and the Warrants are exercised) and not more than 1,829,279,995 Rights Shares (assuming full exercise of the Vested Share Options and the Warrants) The aggregate nominal value of the Rights Shares will be not less than HK$83,720,000.00 and not more than HK$91,463,999.75
Number of Underwritten Shares:	up to 1,582,879,995 Rights Shares
Enlarged issued share capital upon completion of the Share Consolidation and the Rights Issue:	not less than 3,348,800,000 and not more than 3,658,559,990 Consolidated Shares
Underwriter:	Excel Time Investments Limited
Commission:	the Underwriter will receive a nominal commission of HK$1.00 in respect of its underwriting of the Rights Issue

協同通信集團有限公司
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

Executive Directors:
Mr. Wong Chit On
Mr. Han Weining

Independent non-executive Directors:
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen

Registered Office:
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Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

7 March 2016

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE;
(III) APPLICATION FOR WHITEWASH WAIVER; AND
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Share Consolidation, the Rights Issue and the Whitewash Waiver.

The purpose of this circular is to provide you with further details regarding the Share Consolidation, the Rights Issue, the Whitewash Waiver and the Increase in Authorised Share Capital, including, amongst others, (i) a letter from the Independent Board Committee to the Independent Shareholders setting out their advice in relation to the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights

Issue), the Whitewash Waiver; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue), the Whitewash Waiver, together with (iii) a notice convening the EGM.

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK$0.01 each will be consolidated into one (1) Consolidated Share of HK$0.05.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions: (i) the passing of the necessary ordinary resolution(s) to approve the Share Consolidation by the Shareholders at the EGM; (ii) the Stock Exchange granting approval to the listing of, and the permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective; and (iii) the compliance with the necessary procedures and requirements under the Cayman Islands law and the Listing Rules to effect the Share Consolidation. The Share Consolidation will become effective on the next business day immediately following the fulfilment of the above conditions.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK$200,000,000 divided into 20,000,000,000 Shares, of which 8,372,000,000 Shares are in issue. Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted and issued or bought back prior thereto, the authorised share capital of the Company will become HK$200,000,000 divided into 4,000,000,000 Consolidated Shares of HK$0.05 each, of which 1,674,400,000 Consolidated Shares will be in issue, which are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. Other than the expenses, including but not limited to the professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operations, management or financial position of the Group or result in any change in the rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Reasons for the Share Consolidation

The Share Consolidation will increase the nominal value of the Shares. It is expected that the Share Consolidation would bring about corresponding upward adjustments in the trading price of the Consolidated Shares. In addition, the Share Consolidation will increase the market value per board lot of the Shares, which will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot. The Board therefore believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. The Share Consolidation will be conducted in accordance with the provisions of the articles of association of the Company.

No part of the securities of the Company is listed or dealt in on any other stock exchange, or on which listing or permission to deal is being or is proposed to be sought.

Fractional Consolidated Shares and odd lots arrangements

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to alleviate the difficulties in the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed CLC Securities Limited as the agent to provide matching service to those Shareholders who wish to top-up or sell their shareholdings of odd lots of the Consolidated Shares on a best effort basis during the period from 9:00 a.m. on 12 April 2016 to 4:00 p.m. on 3 May 2016.

Holders of the Consolidated Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Mr. Johnny Chan of CLC Securities Limited at 13/F, Nan Fung Tower, 88 Connaught Road Central, Central, Hong Kong (Telephone number: (852) 3153 1130) during the aforesaid period. Holders of the Consolidated Shares in odd lots should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

Exchange of Share certificates

Should the Share Consolidation become effective, which is currently expected to be 24 March 2016, Shareholders may, during the period from 24 March 2016 to 5 May 2016 (both days inclusive), submit the existing share certificates for the Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, the existing share certificates will remain effective as documents of title and may be exchanged only on payment of a fee of HK$2.50 (or such higher amount as may from to time be specified by the Stock Exchange) per existing share certificate cancelled or new share certified issued (whichever is the higher) by Shareholders but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

The new share certificate will be in the colour of orange in order to distinguish them from the existing share certificates which are in the colour of blue.

No change in board lot size

The Shares are currently traded in a board lot of 8,000 Shares. Upon the Share Consolidation becoming effective, the board lot size of the Consolidated Shares for trading on the Stock Exchange will remain at 8,000 Consolidated Shares.

Based on the closing price of HK$0.076 per Share (equivalent to HK$0.38 per Consolidated Share) on the Last Trading Day, the value of each board lot of 8,000 Consolidated Shares, assuming that the Share Consolidation had already been effective, would be HK$3,040.

(II) PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the Share Consolidation having become effective, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Company proposes to raise a minimum gross proceeds of approximately HK$209.3 million (before expenses) on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date, by issuing not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price of HK$0.125 per Rights Share.

On 5 February 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue and further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK$0.125 per Rights Share
Number of Shares in issue at the Latest Practicable Date:	8,372,000,000 Shares
Number of Consolidated Shares expected to be in issue as at the Record Date:	1,674,400,000 Consolidated Shares (assuming none of the outstanding Share Options and the Warrants are exercised)
Number of Rights Shares:	not less than 1,674,400,000 Rights Shares (assuming none of the Share Options and the Warrants are exercised) and not more than 1,829,279,995 Rights Shares (assuming full exercise of the Vested Share Options and the Warrants) The aggregate nominal value of the Rights Shares will be not less than HK$83,720,000.00 and not more than HK$91,463,999.75
Number of Underwritten Shares:	up to 1,582,879,995 Rights Shares

Based on the existing issued share capital of the Company and assuming the Share Consolidation becomes effective and no further Shares will be issued or bought back by the Company on or before the Record Date, a total of 1,674,400,000 Rights Shares will be provisionally allotted under the Rights Issue, representing 100% of the existing issued share capital of the Company and 50% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. The Rights Issue is subject to, among other conditions, the approval of the Independent Shareholders at the EGM, the grant of the Whitewash Waiver and the Share Consolidation having become effective.

As at the Latest Practicable Date, the Company has 343,200,000 Share Options outstanding, of which 114,399,976 Shares (or 22,879,995 whole Consolidated Shares upon completion of the Share Consolidation) may be allotted and issued upon full exercise of the Vested Share Options at the exercise price of HK$0.50 per Share (subject to adjustment), and 660,000,000 Warrants exercisable into 660,000,000 Shares (or 132,000,000 Consolidated Shares upon completion of the Share Consolidation) at the subscription price of HK$0.59 per Share (subject to adjustment) respectively. Save for the

343,200,000 Share Options and the 660,000,000 Warrants, the Company has no outstanding options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares or new Consolidated Shares (as the case may be).

As at the Latest Practicable Date, the Company has not received any notice from the holders of the Vested Share Options and Warrants of their intention to exercise any Vested Share Options or Warrants.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on or before 31 March 2016. It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is 29 March 2016 and the Consolidated Shares will be dealt in on an ex-rights basis from 30 March 2016.

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM, the grant of the Whitewash Waiver and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents, including the Prospectus and the PAL, to the Qualifying Shareholders. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36 of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If based on legal opinions provided by the legal adviser to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted will be taken up by Excel Time pursuant to the Underwriting Agreement.

The Excluded Shareholders, so long as they are Independent Shareholders, will be entitled to vote at the EGM to consider and if thought fit, approve the resolutions in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

As at the Latest Practicable Date, based on the register of members of the Company, there are Overseas Shareholders with registered address in the PRC. The Board has been preliminarily advised that there is no legal restriction for the Company to offer the Rights Shares to them. However, it is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

Closure of register of members

For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 21 March 2016 to Wednesday, 23 March 2016 (both dates inclusive) during which period no transfer of Shares will be registered.

Subscription price

The Subscription Price is HK$0.125 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s). The Subscription Price represents:

(i) a discount of approximately 67.1% to the theoretical closing price of HK$0.38 per Consolidated Share, based on the closing price of HK$0.076 per Share on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;

(ii) a discount of approximately 65.7% to the average of the theoretical closing prices of approximately HK$0.364 per Consolidated Share, based on the average of the closing prices of HK$0.0728 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;

(iii) a discount of approximately 60.3% to the theoretical closing price of HK$0.315 per Consolidated Share, based on the closing price of HK$0.063 per Share on the Latest Practicable Date and adjusted taking into account the effect of the Share Consolidation; and

(iv) a discount of approximately 50.5% to the theoretical ex-rights price of HK$0.2525 per Consolidated Share, based on the closing price of HK$0.076 as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the then market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company.

The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it), including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, consider that the Subscription Price is set at a discount to the recent closing prices of the Shares after taking into account of the Share Consolidation with an objective to encourage the Shareholders to take up their entitlements so as to participate in the potential growth of the Group. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate.

Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, the Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it), including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, consider that the terms of the Underwriting Agreement, the Rights Issue and the Subscription Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The net price per Rights Share will be approximately HK$0.124.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the latest time for acceptance of the Rights Issue, i.e. by 4:00 p.m. on 21 April 2016.

Fractions of Rights Shares

The Company will not provisionally allot to and will not accept applications for any fractions of Rights Shares from Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractional entitlements will be aggregated and the fractions of nil-paid Rights Shares shall be provisionally allotted to a nominee of the Company. The Company shall procure such nominee, if possible, to sell all the fractions of the nil-paid Rights Shares in the market and the net proceeds of such sales, after deduction of expenses, will be aggregated and an equivalent amount will accrue for the benefit of the Company.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then Consolidated Shares in issue. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

Application for the Rights Shares

The PALs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the branch share registrar of the Company by the Latest Time for Acceptance.

No application for excess Rights Shares

The Board is of the view that the Rights Issue gives the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company and is negotiated on an arm's length basis with Excel Time, the Underwriter. If application for excess Rights Shares is arranged, the Company will be required to put in additional effort to administer the excess application procedures, including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost of approximately HK$100,000 to HK$200,000 will be incurred to administer the excess application procedures, which is not cost effective from the viewpoint of the Company, especially after taking into account that: (i) the Group has suffered a substantial drop in revenue and was loss making for the six months ended 30 September 2015; and (ii) a substantial portion of the fund raised has been earmarked for specific use as disclosed in the section headed "Reasons for the Rights Issue and the use of proceeds" below. The Board considers that it is important for the Group to minimise all costs which may be incurred during the fund-raising process especially when the Group is not cash rich (i.e. the Group had only about HK$10.7 million cash and cash equivalent as at 30 September 2015). Notwithstanding that excess application arrangement will not be made available to the Qualifying Shareholders, the Board considers that offering a discount on the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and the potential growth of the Group, and that Shareholders who wish to have additional rights entitlement may purchase additional Shares in the open market (subject to availability) prior to the Record Date. In light of the above, the Board is of the view that the absence of the excess application arrangement is in the interests of the Shareholders and the Group as a whole. Accordingly, no excess Rights Shares will be offered to the Qualifying Shareholders and any Rights Shares not taken up by the Qualifying Shareholders will be underwritten by Excel Time pursuant to the Underwriting Agreement.

Certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" below, certificates for all fully-paid Rights Shares are expected to be posted on or before 29 April 2016 by ordinary post to those entitled thereto at their own risk. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before 29 April 2016 by ordinary post at the respective Shareholders' own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or about 29 April 2016 by ordinary post at the risk of the Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Dealing in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 8,000) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil paid and fully-paid forms to be admitted into CCASS.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

(a) the passing by the Independent Shareholders at the EGM of the relevant ordinary resolutions to approve (a) the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue and the absence of the arrangement for application for the Rights Shares by the Qualifying Shareholders in excess of their assured entitlement; and (b) the Whitewash Waiver;

(b) the Share Consolidation having become effective;

(c) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO not later than the Prospectus Posting Date;

(d) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

(e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares by no later than the first day of their dealings;

(f) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(g) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement;

(h) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and

(i) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

As at the Latest Practicable Date, none of the above conditions have been fulfilled. The conditions set out above are incapable of being waived. If all of the above conditions are not satisfied by 5:00 p.m. (Hong Kong time) on 27 April 2016, the Latest Time for

Termination, or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

Reasons for the Rights Issue and the use of proceeds

The Group is primarily engaged in the design and development of products and technologies relating to digital trunking and satellite communication systems through its own research and development and acquisition of relevant intellectual property rights and technology knowhow from third parties. Following the acquisition of the "Synertone-1" satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. In addition to the above, the Group also provides specialised communication network design and implementation solutions according to client's specific needs, engages in research and development of systems technologies for the operation of the specialised communication system and the sales of accessory parts and components to some of its customers for further integration or other related uses.

As disclosed in the interim report of the Company for the six months ended 30 September 2015, the Group has recorded a decrease in turnover of approximately HK$189.9 million or 83.7% when compared to the corresponding period in 2014, mainly attributable to the adjustments made to certain business markets and opportunities in light of the comprehensive upgrade measures for the satellite resources network by the Group so as to avoid the potential huge compensation cost derived from the change in services. As announced by the Company dated 27 November 2015 and 16 December 2015, the Group completed the acquisition of 49% equity interest in Sense Field Group Limited. Such acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC, and also to provide services to the existing and potential customers of Sense Field Group Limited and its group of companies (together the "SF Group") through leverage on the Group's existing satellite communication capabilities. It is the intention of the Company to raise additional fund to acquire further equity stakes in Sense Field Group Limited beyond 50% thereby securing a control over the SF Group. Given that the Group had only about HK$10.7 million cash and cash equivalent as at 30 September 2015, there is a funding need of the Group to meet its business objective and operational use. As at the Latest Practicable Date, there is no agreement, arrangement or understanding between the Company and the prospective vendors for the proposed acquisition of remaining equity interest in Sense Field Group Limited, and no terms of such proposed acquisition have been discussed or negotiated between the parties. In the event that such proposed acquisition materializes, the Company will comply with all applicable requirements under the Listing Rules and the Takeovers Code.

On 15 July 2015, the Company issued a written demand to Regal Force Limited for the subscription of the convertible bonds in the principal amount of HK$445 million pursuant to the subscription agreement entered into in 2013 but Regal Force Limited has not responded and repudiated such agreement on 31 August 2015. Up to the Latest Practicable Date, the Company still has not received any response or reply from Regal

Force Limited. The Directors have considered other fund raising methods including placing of new Shares through an independent placing agent and debts financing. In view of the recent volatility of the stock market, the Directors consider the Rights Issue will allow the Group to (i) strengthen its capital base by raising long term funds; (ii) raise the necessary funds with more certainty as it is fully underwritten by the Underwriter (as compared to placing which is generally conducted on a best effort basis); (iii) avoid any interest burden; and (iv) provide an equitable means for the Shareholders to participate in the future development of the Group.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK$207 million, which are intended to be used (i) as to approximately HK$160 million for the proposed acquisition of further equity stakes in the SF Group; and (ii) as to the remaining balance of approximately HK$47 million for general working capital of the Group. If the proposed acquisition does not proceed, the amount of approximately HK$160 million will be used for other similar investment project(s) which would create synergy by leverage of the existing satellite communication systems of the Group. Up to the Latest Practicable Date, the Board has not identified any investment project other than the possible further investment in the SF Group, and no negotiation of any investment project (including the possible further investment in the SF Group) has taken place. The net subscription price is estimated to be approximately HK$0.124 per Rights Share.

Having taken into account the above reasons and benefits, the Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it but including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement (including the Rights Issue and the Whitewash Waiver) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

UNDERWRITING ARRANGEMENTS

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Save for (i) Excel Time which has given an irrevocable and unconditional undertaking to subscribe for 246,000,000 Rights Shares for its entitlement as Shareholder under the Rights Issue; and (ii) Mr. Wong Chit On who has given an irrevocable and unconditional undertaking to subscribe for up to 400,000 Rights Shares if he has exercised any or all of his Vested Share Options into a maximum of 400,000 Consolidated Shares before the Record Date, the Board has not received any information or irrevocable undertakings from any Shareholders of their intention to take up the securities of the Company to be offered to them under the Rights Issue.

Underwriting Agreement

Date:	5 February 2016 (as supplemented on 26 February 2016)
Underwriter:	Excel Time Investments Limited
Number of Underwritten Shares:	up to 1,582,879,995 Rights Shares
Commission:	the Underwriter will receive a nominal commission of HK$1.00 in respect of its underwriting of the Rights Issue

Excel Time is an investment holding company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Wong Chit On, the Chairman of the Board and an executive Director. It is a connected person of the Company by virtue of it being a substantial shareholder of the Company.

Underwriting Commission

The Company will pay the Underwriter a nominal underwriting commission of HK$1.00 and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it), including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, consider the terms of the Underwriting Agreement including the underwriting commission to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospectus of the Group as a whole; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

(8) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriting Agreement further contains provisions that the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

Irrevocable Undertaking

As at the Latest Practicable Date, Excel Time holds 1,230,000,000 Shares (or 246,000,000 Consolidated Shares upon the Share Consolidation becoming effective), representing approximately 14.69% of the existing issued share capital of the Company.

Excel Time has given an irrevocable and unconditional undertaking in favour of the Company that it will remain as the beneficial owner of such Shares until and including the Record Date and will subscribe for 246,000,000 Rights Shares, being its full entitlement as Shareholder under the Rights Issue.

Mr. Wong Chit On has also given an irrevocable and unconditional undertaking to subscribe for up to 400,000 Rights Shares if he has exercised any or all of his Vested Share Options into a maximum of 400,000 Consolidated Shares before the Record Date.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 8,372,000,000 Shares in issue. The table below depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Share Consolidation having become effective but before completion of the Rights Issue; (iii) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders; and (iv) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and assuming there is no other change in the shareholding structure of the Company since the Latest Practicable Date up to the completion of the Rights Issue, for illustrative purposes only:

	As at the Latest Practicable Date		**Immediately upon the Share Consolidation having become effective but before completion of the Rights Issue**		**Immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders**		**Immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders**	
	Number of Shares	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*
Excel Time and parties acting in concert with it *(Note 1)*	1,830,000,000	21.86	366,000,000	21.86	732,000,000	21.86	2,040,400,000	60.93
Public Shareholders	6,542,000,000	78.14	1,308,400,000	78.14	2,616,800,000	78.14	1,308,400,000	39.07
Total	8,372,000,000	100.00	1,674,400,000	100.00	3,348,800,000	100.00	3,348,800,000	100.00

The table below depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Share Consolidation having become effective but before completion of the Rights Issue; (iii) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders; and (iv) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and assuming full exercise of the subscription rights attached to the Vested Share Options and the Warrants exercised into 22,879,995 Consolidated Shares and 132,000,000 Consolidated Shares respectively and there is no other change in the shareholding structure of the Company since the Latest Practicable Date up to the completion of the Rights Issue, for illustrative purposes only:

	As at the Latest Practicable Date		Immediately upon the Share Consolidation having become effective and full exercise of the subscription rights attached to the Vested Share Options and Warrants but before completion of the Rights Issue		Immediately upon the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders		Immediately upon the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders	
	Number of Shares	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*	*Number of Consolidated Shares*	*Approximately %*
Excel Time and parties acting in concert with it *(Note 1)*	1,830,000,000	21.86	366,000,000	20.04	732,000,000	20.04	2,195,679,995	60.02
Mr. Han Weining *(Note 2)*	—	—	400,000	0.02	800,000	0.02	400,000	0.01
Mr. Lam Ying Hung Andy *(Note 2)*	—	—	400,000	0.02	800,000	0.02	400,000	0.01
Mr. Hu Yunlin *(Note 2)*	—	—	400,000	0.02	800.000	0.02	400,000	0.01
Public Shareholders (including holder of the Warrants exercised into 132,000,000 Consolidated Shares and other holders of the Vested Share Options exercised into 21,279,995 Consolidated Shares)	6,542,000,000	78.14	1,461,679,995	79.90	2,923,359,990	79.90	1,461,679,995	39.95
Total	8,372,000,000	100.00	1,829,279,995	100.00	3,658,559,990	100.00	3,658,559,990	100.00

Notes:

1. The entire issued share capital of Excel Time is owned by Mr. Wong Chit On, the Chairman of the Board and an executive Director. Mr. Wong Chit On also holds 6,000,000 Share Options, of which 2,000,000 Share Options have been vested. With the grant of the decree absolute for divorce by the District Court of Hong Kong on 20 November 2015, Ms. Ni Yunzi ceased to be the spouse of Mr. Wong Chit On and is not a person acting in concert with Mr. Wong Chit On under the Takeovers Code.

   The shareholding of Excel Time includes 600 million Shares held by Excel Time but beneficially owned by Ms. Ni Yunzi. According to the order for divorce made by the District Court of Hong Kong on 30 June 2015, Mr. Wong Chit On shall transfer 1,000 million Shares under the name of Excel Time to Ms. Ni Yunzi as part of the settlement for divorce. 400 million Shares have been transferred to Ms. Ni Yunzi in July 2015 and the remaining 600 million Shares are still under the name of Excel Time pending transfer. As such Excel time has no beneficial interest in such 600 million Shares and Ms. Ni Yunzi is entitled to all the rights and benefits of such 600 million Shares including participation in the Rights Issue if she so wishes. However, given that such 600 million Shares are now held by Excel Time, such Shares shall not be voted on at the EGM on the resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

2. They are Directors who were granted Share Options and one-third of these Share Options have been vested which remain outstanding as at the Latest Practicable Date.

INTENTIONS OF THE UNDERWRITER REGARDING THE COMPANY AND ITS EMPLOYEES

The Underwriter is optimistic about the future businesses of the Group. Following the grant and approval of the Whitewash Waiver and completion of the Rights Issue, it is the intention of the Underwriter to continue the existing business and the continued employment of the employees of the Group. The Underwriter has no intention to make any major changes to the business of the Group including any redeployment of the fixed assets immediately after the Rights Issue.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS AND THE WARRANTS

As at the Latest Practicable Date, the Company has 343,200,000 outstanding Share Options and 660,000,000 outstanding Warrants which in aggregate entitle holders thereof to subscribe for 1,003,200,000 Shares or 200,640,000 Consolidated Shares.

Subject to the confirmation of the auditors of the Company, the issue of the Rights Shares may cause adjustments to the exercise price and number of the Share Options and the subscription price of the Warrants. The Company will instruct its auditors to review and certify the basis of any adjustments as soon as possible. Further announcement(s) will be made by the Company in respect of such adjustments as and when appropriate.

PREVIOUS EQUITY FUNDS RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the issue by the Company of a written demand to Regal Force Limited for the subscription of the convertible bonds in the principal amount of HK$445 million on 15 July 2015 pursuant to the subscription agreement entered into in 2013 but Regal Force Limited repudiated such agreement on 31 August 2015, the Company had not conducted any other equity fund raising activities during the past 12 months immediately preceding the date of the Announcement.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter, together with its beneficial owners (namely, Mr. Wong Chit On, which was also the Chairman of the Board and an executive Director) and parties acting in concert with any one of them are beneficially interested in 1,230,000,000 Shares, representing approximately 14.69% of the issued share capital of the Company and 6,000,000 Share Options, of which 2,000,000 are Vested Share Options.

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, Excel Time, being the Underwriter, has agreed to subscribe for and take up a maximum of 1,582,879,995 Rights Shares that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement.

Assuming the Underwriter has taken up its obligation pursuant to the Underwriting Agreement in full, the subscription for and the underwriting of the Rights Shares under the Rights Issue by the Underwriter may result in its shareholdings in the Company being increased from approximately 14.69% of the existing issued share capital of the Company to approximately 57.35% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming none of the outstanding Share Options and the Warrants are exercised), or to approximately 56.73% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (if all the Vested Share Options and the outstanding Warrants are all exercised in full). If the total voting rights of the Underwriter and the parties acting in concert with it increases from below 30% to more than 30%, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Consolidated Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

Save for the Underwriting Agreement, the Underwriter, its beneficial owners and the parties acting in concert with any one of them have not acquired any voting rights of the Company and have not dealt in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares in the six months prior to the date of the Announcement and up to the Latest Practicable Date.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Underwriter, its beneficial owners and the parties acting in concert with any one of them (including the 600,000,000 Shares held pending transfer to Ms. Ni Yunzi pursuant to the court order) shall abstain from voting on the relevant resolution(s). It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive, the Rights Issue will lapse and will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Underwriter and parties acting in concert with it may exceed 50%, in which event the Underwriter may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it), including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, believe that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As no excess application for the Rights Shares is available under the Rights Issue and the Rights Issue is underwritten by Excel Time, who is a substantial shareholder of the Company, specific approval shall be obtained from the Independent Shareholders and those persons who have a material interest in the arrangement of the Rights Issue shall abstain from voting in respect of the resolution relating to the Rights Issue at the EGM.

Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (including Excel Time but excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates, which together hold 1,230,000,000 Shares or approximately 14.69% of the total issued share capital of the Company, shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules. Save for the above, as at the Latest Practicable Date, none of the Shareholders are required to abstain from voting on the relevant resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen, has been established by the Company to advise the Independent Shareholders on the terms of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver.

INDEPENDENT FINANCIAL ADVISER

Goldin has been appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver. Such appointment has been approved by Independent Board Committee.

PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company amounted to HK$200,000,000 divided into 20,000,000,000 Shares of which 8,372,000,000 Shares are in issue as at the Latest Practicable Date. Upon the Share Consolidation becoming effective but before completion of the Rights Issue, the authorized share capital of the Company will become HK$200,000,000 divided into 4,000,000,000 Consolidated Shares of which 1,674,400,000 Consolidated Shares will be in issue. Assuming the maximum number of

1,829,279,995 Rights Shares is issued, only 496,320,005 Consolidated Shares will be issuable under the existing authorized share capital of the Company. In order to provide the Company with greater flexibility to raise fund by allotting and issuing Consolidated Shares in future, the Board proposes to increase the authorised share capital of the Company from HK$200,000,000 to HK$400,000,000 by the creation of 4,000,000,000 new Consolidated Shares, which will rank *pari passu* with all Consolidated Shares in issue upon the Share Consolidation becoming effective. Save for the Rights Issue, the Directors have no present intention or plan (whether or not materialized) to conduct any fund raising activities or of issuing any part of the new Consolidated Shares.

The proposed Increase in Authorised Share Capital will be subject to the approval of the Shareholders at the EGM. As none of the Shareholders has any material interest in the Increase in Authorised Share Capital, no Shareholder is required to abstain from voting for such resolution at the EGM.

EGM

A notice convening the EGM at 9/F., Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, China on Wednesday, 23 March 2016 at 9:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so desire.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save and except that Excel Time is holding 600,000,000 Shares pending transfer to Ms. Ni Yunzi as part of the settlement for divorce pursuant to the court order (in which case the beneficial interest of such 600,000,000 Shares shall belong to Ms. Ni Yunzi who is entitled to all the rights and benefits of such 600,000,000 Shares, including exercise of the voting rights therein through Excel Time), there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis. Given that Excel Time shall abstain from voting at the EGM relating to the resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, the 600,000,000 Shares held by Excel Time pending transfer to Ms. Ni Yunzi shall also not be voted by Excel Time at the EGM with regards to these resolutions.

RECOMMENDATIONS

The Directors consider that the Share Consolidation and the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole. The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it), believe that the terms of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue), the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it) recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Underwriting Agreement, the Rights Issue and the Whitewash Waiver on pages 36 to 37 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 38 to 61 of this circular, considers that the terms of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver at the EGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND CONSOLIDATED SHARES

The Rights Issue is subject to, among other things, the fulfillment of the conditions set out in the paragraph headed "Conditions of the Rights Issue" above. In particular, it is subject to the grant of the Whitewash Waiver and the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Consolidated Shares will be dealt in on an ex-entitlement basis commencing from 30 March 2016 and that dealings in the Shares and/or the Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or the Consolidated Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder

or other person contemplating any dealings in the Shares and/or the Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

By the order of the Board
Synertone Communication Corporation
Han Weining
Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver:

SYNERTONE

協同通信集團有限公司

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

7 March 2016

To the Independent Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 7 March 2016 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue), and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 38 to 61 of the Circular, we are of the opinion that the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the

Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Lam Ying Hung Andy	**Mr. Wang Chen**	**Mr. Hu Yunlin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Goldin setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
Suites 2202–2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

7 March 2016

To the Independent Board Committee and
the Independent Shareholders of
Synertone Communication Corporation

Dear Sirs,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, details of which are contained in the announcement of the Company dated 5 February 2016 (the ''Announcement'') and in the letter from the board (the ''Letter from the Board'') on page 12 to page 35 of the circular of the Company dated 7 March 2016 (the ''Circular'') to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, the Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK$0.01 each will be consolidated into one (1) Consolidated Share of HK$0.05. The Share Consolidation is conditional upon the following conditions: (i) the passing of the necessary ordinary resolution(s) to approve the Share Consolidation by the Shareholders at the EGM; (ii) the Stock Exchange granting approval to the listing of, and the permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective; and (iii) the compliance with the necessary procedures and requirements under the Cayman Islands law and the Listing Rules to effect the Share Consolidation. The Share Consolidation will become effective on the next business day immediately following the fulfilment of the above conditions. Subject to, among other conditions, the Share Consolidation having become effective, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Company proposes to raise a minimum gross proceeds of approximately HK$209.3 million (before expenses) on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date, by issuing not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price of HK$0.125 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "Underwriting arrangements" in the Letter from the Board. The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue" in the Letter from the Board. In particular, it is subject to the grant of the Whitewash Waiver and the Underwriting Agreement not being terminated in accordance with its terms as stated under the section headed "Termination of the Underwriting Agreement" in Letter from the Board. Accordingly, the Rights Issue may or may not proceed.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As no excess application for the Rights Shares is available under the Rights Issue and the Rights Issue is underwritten by Excel Time, who is a substantial shareholder of the Company, specific approval shall be obtained from the Independent Shareholders and those persons who have a material interest in the arrangement of the Rights Issue shall abstain from voting in respect of the resolution relating to the Rights Issue at the EGM. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (including Excel Time but excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates, which together hold 1,230,000,000 Shares or approximately 14.69% of the total issued share capital of the Company, shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules. Save for the above, as at the Latest Practicable Date, none of the Shareholders are required to abstain from voting on the relevant resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, the Underwriter, together with its beneficial owners (namely, Mr. Wong Chit On, which was also the Chairman of the Board and an executive Director) and parties acting in concert with any one of them are beneficially interested in 1,230,000,000 Shares, representing approximately 14.69% of the issued share capital of the Company and 6,000,000 Share Options, of which 2,000,000 are Vested Share Options. Excel Time has given an irrevocable and unconditional undertaking in favour of the Company that it will remain as the beneficial owner of such Shares until and including the Record Date and will subscribe for 246,000,000 Rights Shares, being its full entitlement as Shareholder under the Rights Issue. Mr. Wong Chit On has also given an irrevocable and unconditional undertaking to subscribe for up to 400,000 Rights Shares if he has exercised any or all of his Vested Share Options into a maximum of 400,000 Consolidated Shares before the Record Date.

Save as the aforesaid, the Board has not received any information or irrevocable undertakings from any Shareholders of their intention to take up the securities of the Company to be offered to them under the Rights Issue.

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, Excel Time, being the Underwriter, has agreed to subscribe for and take up a maximum of 1,582,879,995 Rights Shares that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement. Assuming the Underwriter has taken up its obligation pursuant to the Underwriting Agreement in full, the subscription for and the underwriting of the Rights Shares under the Rights Issue by the Underwriter may result in its shareholdings in the Company being increased from approximately 14.69% of the existing issued share capital of the Company to approximately 57.35% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming none of the outstanding Share Options and the Warrants are exercised), or to approximately 56.73% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (if all the Vested Share Options and the outstanding Warrants are all exercised in full). If the total voting rights of the Underwriter and the parties acting in concert with it increases from below 30% to more than 30%, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Consolidated Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Underwriter, its beneficial owners and the parties acting in concert with any one of them (including the 600,000,000 Shares held pending transfer to Ms. Ni Yunzi pursuant to the court order), shall abstain from voting on the relevant resolution(s). It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive, the Rights Issue will lapse and will not proceed.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen, has been established by the Company to advise the Independent Shareholders on the terms of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver.

We, Goldin, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver and to make a recommendation as to, among others, whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, Excel Time or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Underwriting Agreement, the financial statements of the Company for the year ended 31 March 2015 (the "Annual Report 2015") and the unaudited financial information of the Group for the six months ended 30 September 2015 (the "Interim Report 2015"). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the Underwriting Agreement, the Rights Issue and the Whitewash Waiver to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Group is primarily engaged in the design and development of products and technologies relating to digital trunking and satellite communication systems through its own research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. Following the acquisition of the "Synertone-1" satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. The Group also provides specialized communication network design and implementation solutions according to client's specific needs, engages in research and development of systems technologies for the operation of the specialized communication system and the sales of accessory parts and components to some of its customers for further integration or other related uses. Set out below are certain audited financial information of the Group for the two financial years ended 31 March 2015 as extracted from the Annual Report 2015 and certain unaudited financial information of the Group for the six months ended 30 September 2014 and 2015, respectively, as extracted from the Interim Report 2015.

Table 1: Financial highlights of the Group

	For the year ended 31 March		**For the six months ended 30 September**	
	2015	**2014**	**2015**	**2014**
	(audited)	(audited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	329,667	174,421	37,107	227,010
Profit/(Loss) for the year/ period attributable to owners of the Company	33,739	30,027	(52,930)	100,841

	As at 31 March 2015 (audited) HK$'000	As at 31 March 2014 (audited) HK$'000	As at 30 September 2015 (unaudited) HK$'000
Non-current assets	725,228	693,034	872,639
Current assets	403,491	285,664	376,079
Current liabilities	196,870	118,088	271,230
Non-current liabilities	410,578	427,388	346,819
Net current assets	206,621	167,576	104,849
Net assets	521,271	433,222	630,669

For the year ended 31 March 2015

For the year ended 31 March 2015, the Group recorded revenue of approximately HK$329.67 million, representing an increase of approximately 89.01% as compared to approximately HK$174.42 million as recorded in the respective previous year. Based on the Annual Report 2015, the increase in revenue was mainly attributable to the increase of approximately 219.58% in the segment revenue from the Synertone 1 satellite system to approximately HK$151.64 million for the year ended 31 March 2015, compared with approximately HK$47.45 million as recorded in the respective previous year. According to the Annual Report 2015, the Group has completed the acquisition of assets on 15 October 2013 in relation to the rights to use the Synertone 1 satellite bandwidth for the provision of satellite bandwidth capacity and communication service application, and that such increase in the segment revenue from the Synertone 1 satellite system was mainly due to the growth of sales orders of the satellite bandwidth secured for the year ended 31 March 2015 over those of the respective previous year which only commenced operation in the fourth quarter. In addition, it is noted that the segment revenue from the Synertone 1 satellite system accounted for approximately 46.00% of the total revenue for the year ended 31 March 2015, as compared to approximately 27.20% for the respective previous year, demonstrating an increase in effort by the Group to develop the satellite communication systems.

For the year ended 31 March 2015, the Group recorded profit attributable to owners of the Company of approximately HK$33.74 million, representing an increase of approximately 12.35% compared to approximately HK$30.03 million recorded in the respective previous year. Based on the Annual Report 2015, the increase in the profit attributable to the owners of the Company for the year ended 31 March 2015 as compared with the respective previous year was mainly attributable to the net effect of, among others, (i) the increase in the Group's revenue as discussed in the previous paragraph; (ii) the decrease in selling and distribution expenses of the Group by approximately 18.72% from approximately HK$8.60 million for the year ended 31 March 2014 to approximately HK$6.99 million for the year ended 31 March 2015, due to the lower promotion expenses for its traditional businesses; (iii) the increase in research and development expenditure of the Group by approximately

84.81% from approximately HK$15.34 million for the year ended 31 March 2014 to approximately HK$28.35 million for the year ended 31 March 2015 as the Group has put greater effort into research and development of its technologies and products for technology enhancement; and (iv) the increase in tax expense of the Group by approximately 240.64% from approximately HK$8.81 million for the year ended 31 March 2014 to approximately HK$30.01 million for the year ended 31 March 2015.

As at 31 March 2015, the Group's net current assets amounted to approximately HK$206.62 million from approximately HK$167.58 million as at 31 March 2014, representing an increase of approximately 23.30%. The net assets of the Group amounted to approximately HK$521.27 million as at 31 March 2015, increased by approximately 20.32% from approximately HK$433.22 million as at 31 March 2014.

For the six months ended 30 September 2015

For the six months ended 30 June 2015, the Group recorded revenue of approximately HK$37.11 million, representing a decrease of approximately 83.65% compared to approximately HK$227.01 million recorded in the respective previous period. Based on the Interim Report 2015, the substantial decrease in the revenue for the six months ended 30 September 2015 as compared with the respective previous period was mainly attributable to the significant reduction in sales of the Synertone 1 satellite system by approximately 93.98% from approximately HK$139.67 million for the six months ended 30 September 2014 to approximately HK$8.41 million for the six months ended 30 September 2015, as adjustments were made to certain business markets and opportunities in light of the comprehensive upgrade measures for the satellite resources network by the Group during the period so as to avoid the potential huge compensation cost derived from the change in services.

For the six months ended 30 September 2015, the Group recorded loss attributable to owners of the Company of approximately HK$52.93 million, while the Group recorded profit attributable to the owners of the Company of approximately HK$100.84 million for the six months ended 30 September 2014. Based on the Interim Report 2015, the loss attributable to the owners of the Company for the six months ended 30 September 2015 as compared to the profit attributable to the owners of the Company for the respective previous period, was mainly attributable to the substantial decrease in the turnover from the Synertone 1 satellite system business as compared to the respective previous period, as discussed in the previous paragraph, resulting in a negative gross profit margin.

As at 30 September 2015, the net current assets and the net assets of the Group amounted to approximately HK$104.85 million and HK$630.67 million, respectively.

2. Reasons for the Rights Issue and the use of proceeds

As stated in the Letter from the board, the estimated net proceeds from the Rights Issue after deducting all necessary expenses of approximately HK$2.3 million are approximately HK$207 million, which are intended to be applied as follows:

Table 2: Intended use of net proceeds

Intended use of net proceeds	*HK$ million*
Proposed acquisition of further equity stakes in the SF Group *(Note)*	160
General working capital of the Group	47
Total	207

Note:

If the proposed acquisition does not proceed, the amount of approximately HK$160 million will be used for other similar investment project(s) which would create synergy by leverage of the existing satellite communication systems of the Group.

As discussed in the paragraphs under the section headed "1. Background information of the Group" above, the performance of the Group's satellite system business was weakened as evidenced by the significant decline in the turnover for the six months ended 30 September 2015 as compared to the previous corresponding period. The Group has been looking for market opportunities for its business development through identifying more channels and markets in various ways. In particular, the Group has carried out a series of acquisitions in late 2015. As announced by the Company on 20 November 2015, the Group purchased the gateway equipment to upgrade its ground network segment of the Synertone 1 satellite for supporting more application scenarios and improving the service quality, which would ultimately increase the revenue of the Group. Pursuant to the announcement of the Company dated 27 November 2015 (the "SF Announcement") and 16 December 2015, the Group completed the acquisition of 49% equity interest in Sense Field Group Limited ("Sense Field, together with its subsidiaries, the "SF Group").

As stated in the SF Announcement, Sense Field is the investment holding company of MOX Group Limited, the foreign investor of both Wankesi Automation (incorporated in 2011) and Xiyate Building Automation (incorporated in 2001). The SF Group is based in Zhejiang province of the PRC and is primarily engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings in the PRC. Most of the customers of the SF Group are either property or building systems' developers. The SF Group has successfully established a sales network in not less than 23 first and second tier cities across the PRC over the years. Such acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC, and also to provide services to the existing and potential customers of SF Group through leveraging on the Group's existing satellite communication capabilities. Given the profitable track record of the SF Group, it is expected that the Group being the single largest shareholder of the SF Group upon completion of the acquisition would share a portion of the earnings from the SF Group, bringing positive impact to its earnings.

As stated in the Letter from the Board, it is the intention of the Company to raise additional fund to acquire further equity stakes in Sense Field to beyond 50% thereby securing a control over the SF Group. Such further acquisition, if materialise, could allow the Group to access more flexibly the well-established domestic sales network and customer resources and also the research and production base located in the Yangtze River Delta of the SF Group for the expansion of its existing Synertone 1 satellite service business, and at the same time enjoying the consolidated revenue and profit from the SF Group, which in turn could enhance the Group's revenue base and business prospect.

Based on the Interim Report 2015, the cash and cash equivalent position of the Group as at 30 September 2015 was approximately HK$10.70 million, representing a decrease of approximately 80.21% as compared with the cash and cash equivalent position of the Group of approximately HK$54.06 million as at 31 March 2015. Despite the relatively low level of cash position of the Group, the net proceeds from the Right Issue could therefore provide the necessary financial resources for the Group when the proposed acquisition materialises. If the proposed acquisition does not proceed, the amount of approximately HK$160 million will be used for other similar investment project(s) which would create synergy by leverage of the existing satellite communication systems of the Group, which is in line with the business strategy of the Group. Up to the Latest Practicable Date, the Board has not identified any investment project other than the possible further investment in the SF Group, and no negotiation of any investment project (including the possible further investment in the SF Group) has taken place.

Given a significant portion of the proceeds will be applied to finance the projects relating to satellite communication systems of the Group, we have conducted research from the public domains in assessing the future prospect of satellite communication systems in the PRC. According to an article published by the National Defense Science and Technology Industry Bureau of the PRC on 13 November 2015 (http://www.miit.gov.cn/n1146285/n1146347/n1147676/n1147679/c4431748/content.html), China will continue to focus on expanding the industrial scales of communication satellites, navigation satellites and remote sensing satellites, with the aim to develop the satellite application to a new level and provide support to economic and social development of the nation. The article revealed that subscribers for satellite television have exceeded 30 million in the PRC. In addition, it is the intention of the PRC government to accelerate the international cooperation in terms of satellite communication technology and to broaden the scope of data sharing globally. Reference is also made to the article published in 2013 by China News, an online news platform operated by China News Services which is the second largest state-owned news agency in the PRC (http://www.chinanews.com/gn/2013/09–02/5231633.shtml), it is noted that there is a strong global demand for satellite transponder and such upward trend is expected to continue to 2020. It is also predicted that from 2014 to 2018, the growth in market value of global communication satellites will increase by more than one-third. Also, investments from satellite operators and government procurements are significantly higher in emerging markets. It is estimated that the data transmission rate of the new generation of communication satellites is a thousand times faster than in the early 90's. In view of the expected growing development in the global communication satellites and the continued support to the satellite communication from the PRC government, we consider that the future prospect of the satellite communication industry is optimistic.

Upon enquiry with the management of the Company, we were given to understand that the Board has considered various fund raising methods including but not limited to debt financing and placing of new Shares through an independent placing agent. In respect of debt financing, the finance cost of the Group would increase significantly taking into account the considerable size of the loan principal and interest incurred thereon and thus increase the gearing of the Group. As to placing of new Shares, it is common market practice to be conducted on a best effort basis and as such the amount to be raised from the placing would be relatively uncertain and subject to market condition. In addition, placing will result in immediate dilution effect to the shareholding interests of existing shareholders without offering the existing shareholders the opportunity to participate in the enlargement of the capital base of the Company and the potential growth of the Group. On 15 July 2015, the Company issued a written demand to Regal Force Limited for the subscription of the convertible bonds in the principal amount of HK$445 million pursuant to the subscription agreement entered into on 8 November 2013 but Regal Force Limited has not responded and repudiated such agreement on 31 August 2015, and the aforesaid subscription agreement was thereby terminated. Up to the Latest Practicable Date, the Company still has not received any response or reply from Regal Force Limited.

Given that (i) the use of proceeds under the Rights Issue is in line with the business strategy of the Group; (ii) the majority of the net proceeds will be used to finance the projects relating to satellite communication systems of the Group which is expected to have optimistic prospects; (iii) the net proceeds raised from the Rights Issue would strengthen the Company's capital base and enhance its financial position at the outset, thereby better prepare the Group for making timely commitment when suitable investment opportunities are identified; (iv) the Rights Issue enables all Qualifying Shareholders to have an equal opportunity to participate in the enlargement of the Company's capital base and the Company's future growth; and (v) the Company could raise necessary funds with more certainty as it is fully underwritten by the Underwriter under the Underwriting Agreement (as compared to placing which is normally conducted on a best effort basis), we concur with the Directors' view that the Rights Issue is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Subject to, among other conditions, the Share Consolidation having become effective, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Company proposes to raise a minimum gross proceeds of approximately HK$209.3 million (before expenses) on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date, by issuing not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price of HK$0.125 per Rights Share. Taking into account the estimated net proceeds from the Rights Issue of approximately HK$207 million after deducting all necessary expenses, the net subscription price is estimated to be approximately HK$0.124 per Rights Share. Set out below are the summary of the Rights Issue:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.125 per Rights Share
Number of Shares in issue at the Latest Practicable Date		8,372,000,000 Shares
Number of Consolidated Shares expected to be in issue as at the Record Date	:	1,674,400,000 Consolidated Shares (assuming none of the outstanding Share Options and the Warrants are exercised)
Number of Rights Shares	:	not less than 1,674,400,000 Rights Shares (assuming none of the Share Options and the Warrants are exercised) and not more than 1,829,279,995 Rights Shares (assuming full exercise of the Vested Share Options and the Warrants) The aggregate nominal value of the Rights Shares will be not less than HK$83,720,000.00 and not more than HK$91,463,999.75
Number of Underwritten Shares	:	up to 1,582,879,995 Rights Shares
Underwriter	:	Excel Time Investments Limited
Commission	:	the Underwriter will receive a nominal commission of HK$1.00 in respect of its underwriting of the Rights Issue

As at the Latest Practicable Date, Excel Time holds 1,230,000,000 Shares (or 246,000,000 Consolidated Shares upon the Share Consolidation becoming effective). Excel Time has given an irrevocable and unconditional undertaking in favour of the Company that it will remain as the beneficial owner of such Shares until and including the Record Date and will subscribe for 246,000,000 Rights Shares, being its full entitlement as Shareholder under the Rights Issue. Mr. Wong Chit On has also given an irrevocable and unconditional undertaking to subscribe for up to 400,000 Rights Shares if he has exercised any or all of his Vested Share Options into a maximum of 400,000 Consolidated Shares before the Record Date.

The Subscription Price

The Subscription Price is HK$0.125 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s). The Subscription Price represents:

(i) a discount of approximately 67.11% to the theoretical closing price of HK$0.38 per Consolidated Share, based on the closing price of HK$0.076 per Share on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;

(ii) a discount of approximately 65.66% to the average of the theoretical closing prices of approximately HK$0.364 per Consolidated Share, based on the average of the closing prices of HK$0.0728 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;

(iii) a discount of approximately 60.32% to the theoretical closing price of HK$0.315 per Consolidated Share, based on the closing price of HK$0.063 per Share on the Latest Practicable Date and adjusted taking into account the effect of the Share Consolidation; and

(iv) a discount of approximately 50.50% to the theoretical ex-rights price of HK$0.2525 per Consolidated Share, based on the closing price of HK$0.076 as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation.

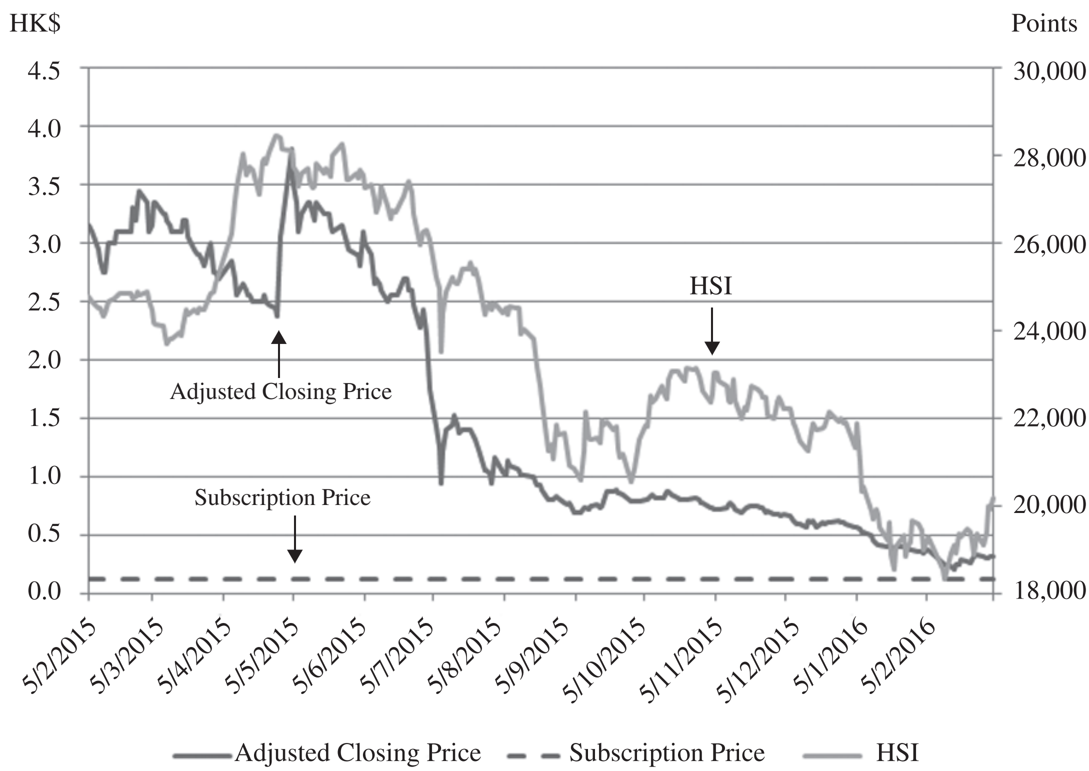
As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the then market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company. Having considered that the Subscription Price was set at a discount to the recent theoretical closing prices of the Consolidated Shares which would increase the attractiveness of the Rights Issue to the Qualifying Shareholders, we are of the view that the setting of the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical Share price performance

The following chart sets out the adjusted daily closing prices of the Consolidated Shares on the Stock Exchange for the period from 5 February 2015 (being the first trading day of the 12-month period prior to the Last Trading Day) up to and including the Latest Practicable Date (the "Review Period").

Chart 1 below shows the adjusted daily closing price of the Consolidated Shares as quoted on the Stock Exchange versus the Subscription Price and the Hang Seng Index ("HSI") during the Review Period:

Chart 1: Share price performance against the Subscription Price and the HSI during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk) and the website of the Hang Seng Indexes (www.hsi.com.hk)

Note: Trading in the Shares was suspended on 3 August 2015 during the Review Period.

As shown in Chart 1 above, the adjusted closing price per Consolidated Share for the Review Period was trading within a range from an adjusted lowest closing price at HK$0.22 to an adjusted highest closing price of HK$3.80 with an adjusted average closing price per Consolidated Share of approximately HK$1.55. The Consolidated Shares were traded above the Subscription Price throughout the Review Period. The Subscription Price of HK$0.125 represents a discount of approximately 43.18% to the aforementioned adjusted lowest closing price per Consolidated Share, a discount of approximately 96.71% to the aforementioned adjusted highest closing price per Consolidated Share and a discount of approximately 91.94% to the adjusted average closing price per Consolidated Share during the Review Period respectively.

As noted in Chart 1, there was a significant increase in the adjusted closing price per Consolidated Share on 31 July 2015 and trading was suspended in the afternoon on the same day pending the release of an announcement in respect of possible fund raising activities of the Company. Trading in the Shares was resumed on 4 August 2015. The Board is not aware of any reasons for the price movements save as disclosed in the aforesaid pending announcement of the Company dated 3 August 2015.

As illustrated from Chart 1, the HSI from the beginning of April 2015 to the end of June 2015 was at its highest level during the Review Period while the adjusted closing price of the Consolidated Shares reached a relatively high level on 11 May 2015. We noted that the movement of the adjusted closing prices of the Consolidated Shares was generally in line with the trend of the HSI during the period from 11 May 2015 to the Last Trading Day, in particular, they were both in a decreasing pattern after reaching their respective highest of the aforesaid period.

On 11 February 2016, being the first trading day of the Shares after the publication of the Announcement, the closing price of the Shares decreased from HK$0.076 to HK$0.053, with the lowest of HK$0.04 while the HSI also had a significant decrease on the same date. The adjusted closing prices of the Consolidated Shares then decreased steadily as per the trend of the HSI. We consider that the decrease was primarily due to the worsening overall stock market sentiment in Hong Kong and the PRC during such period. Save for the Announcement, the Company did not issue any other announcement which is price-sensitive in nature from the date of the Announcement up to the Latest Practicable Date.

Taking into consideration (i) the recent downward trend demonstrated by the historical movement of the Consolidated Share prices is generally in line with the HSI which was negatively affected by the overall market sentiment; (ii) it is a common market practice for listed issuers in Hong Kong to conduct rights issue at a discount to the market price in order to enhance the attractiveness of the rights issue, as the discount would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interests in the Company and participate in the future development and growth of the Company; and (iii) the Rights Issue is available to all Qualifying Shareholders by providing them with an equal opportunity to participate in the Rights Issue, we are of the view that the setting of the Subscription Price at a lower level is justifiable.

Historical trading volume of the Shares

Table 3 below shows the average daily trading volume of the Shares per month, and the respective percentages of the Shares' monthly trading volume as compared to the total number of issued Shares at the end of the respective month, during the Review Period:

Table 3: Historical trading volume of the Shares

Month	Total no. of Shares trading volume	No. of trading days	Average daily trading volume	Total no. of outstanding Shares	Average daily trading volume over outstanding Shares *Approximate %*
2015					
February *(Starting from 5 February 2015)*	741,094,674	18	41,171,926	6,445,000,000	0.64
March	1,199,271,226	22	54,512,328	6,445,000,000	0.85
April	3,716,447,623	19	195,602,506	6,445,000,000	3.03
May	2,826,668,000	19	148,772,000	6,445,000,000	2.13
June	1,718,041,162	22	78,092,780	6,445,000,000	1.21
July	2,873,754,010	22	130,625,182	7,049,000,000	1.85
August	1,336,864,000	21	63,660,190	7,049,000,000	0.90
September	606,960,000	20	30,348,000	7,049,000,000	0.43
October	385,007,378	20	19,250,369	7,049,000,000	0.27
November	365,057,278	21	17,383,680	7,049,000,000	0.25
December	391,216,198	22	17,782,554	8,372,000,000	0.21
2016					
January	263,354,100	19	13,860,742	8,372,000,000	0.17
February	916,550,200	18	50,919,456	8,372,000,000	0.61
March *(Up to the Latest Practicable Date)*	150,909,000	4	37,727,250	8,372,000,000	0.45

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 3 August 2015 during the Review Period.

As illustrated from Table 3 above, we noted that the average daily trading volume of the Shares per month accounted for only a small portion, ranging from approximately 0.17% to 3.03% of the total number of Shares issued at the end of each respective month throughout the Review Period. The trading volume of the Shares during the Review Period was relatively thin, except for April and May 2015 during which the overall stock market was booming as evidenced by the continuous growth of the adjusted closing price per Consolidated Share as well as the HSI, as illustrated in Chart 1 above. Apart from the trading volume in April and May, the Shares were generally illiquid in the open market. As such, we consider that it would be difficult to attract the Qualifying Shareholders to participate in the Rights Issue if the Subscription Price was not set at a discount to the historical adjusted closing prices of the Consolidated Shares. Therefore, we are of the view that the setting of the Subscription Price at a lower level is reasonable and that the Subscription Price would attract the Qualifying Shareholders to maintain their respective shareholdings in the Company and to participate in the future growth of the Company.

Comparison of the Subscription Price

In accessing the fairness and reasonableness of the issue of the Subscription Price, we have reviewed all the proposed rights issue announced by companies listed on the Stock Exchange in three calendar months prior to the Last Trading Date and up to the Latest Practicable Date i.e. from 5 November 2015 to 4 March 2016 and identified an exhaustive list of 17 proposed rights issue (the "Comparables") announced during the aforesaid period. We consider that a review period of three calendar months prior to the Last Trading Day and up to the Latest Practicable Date is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the subscription price under other proposed rights issue as compared to the relevant prevailing market share prices under the recent market conditions and sentiments.

Independent Shareholders should note that the Comparables are not identical to the Company in terms of principal business, operations and financial position, and that the determination of subscription prices of the rights issue exercises were made with reference to the arm's length commercial negotiation between the companies and the underwriters, the share price performance, financial positions of the companies and the then prevailing market condition. Set out below are the details of the Comparables.

Table 4: Summary of the Comparables

Company name	Stock code	Date of announcement	Basis of entitlement	Premium/(Discount) of subscription price over/(to) the closing price on the last trading day *Approximate %*	Premium/(Discount) of subscription price over/(to) the theoretical ex-entitlement price *Approximate %*	Commission rate *%*	Maximum dilution *Approximate %*	Excess application *Yes/No*
DX.com Holdings Limited	8086	1 March 2016	1 for 1	(49.80)	(33.30)	3.00	50.00	Yes
IR Resources Limited	8186	24 February 2016	10 for 1	(87.00)	(37.50)	3.00	90.91	No
Pan Asia Mining Limited	8173	15 February 2016	8 for 1	(66.67)	(18.19)	3.00	88.89	Yes
CMMB Vision Holdings Limited *(Note 1)*	471	29 January 2016	1 for 1	9.89	57.07	0.00	50.00	No
Hanny Holdings Limited	275	25 January 2016	8 for 1	(68.75)	(19.61)	3.00	88.89	Yes
China Oceanwide Holdings Limited	715	25 January 2016	1 for 2	0	0	0	33.33	Yes
Coolpad Group Limited	2369	22 January 2016	3 for 20	(14.73)	(13.39)	3.10	13.04	Yes
China Mobile Games and Cultural Investment Limited	8081	14 January 2016	5 for 1	(45.61)	(12.43)	3.00	83.33	Yes
China Hongqiao Group Limited	1378	8 January 2016	7 for 50	0	0	0	12.28	Yes
First Credit Finance Group Limited	8215	17 December 2015	9 for 1	(36.50)	(5.44)	2.50	90.00	Yes
Hanison Construction Holdings Limited	896	15 December 2015	1 for 2	(20.63)	(14.75)	2.00	33.33	Yes
GCL-Poly Energy Holdings Limited	3800	15 December 2015	1 for 5	(15.79)	(13.51)	2.50	16.67	Yes
GCL New Energy Holdings Limited	451	15 December 2015	3 for 8	(11.76)	(8.91)	2.50	27.27	Yes
Hao Wen Holdings Limited	8019	2 December 2015	6 for 1	(50.00)	(12.57)	1.50	85.71	No
China New Economy Fund Limited	80	23 November 2015	1 for 2	(11.32)	(7.84)	3.25	33.33	No
Lai Sun Development Company Limited	488	17 November 2015	1 for 2	(33.33)	(25.20)	2.00	33.33	Yes
EPI (Holdings) Limited	689	12 November 2015	5 for 1	(65.43)	(23.91)	1.00	83.33	No
			Maximum	9.89	57.07	3.25	90.91	
			Minimum	(87.00)	(37.50)	0.00	12.28	
			Average	(37.83)	12.63	2.36	53.74	
The Company	1613	5 February 2016	1 for 1	(67.11)	(50.50)	0.00	50.00	No

Source: The website of the Stock Exchange (www.hkexnews.hk)

Note:

1. *The effect of the bonus issue of bonus shares on the basis of one bonus share for every one rights share taken up under the rights issue is not included in the above analysis. For illustrative purposes only, the discount of subscription price to the closing price on the last trading day including the bonus issue is approximately 45.05%.*

As noted from Table 4 above, 16 out of 17 of the Comparables had set the subscription prices of their Rights Issues at a discount to the closing price of the relevant shares immediately before the announcements in respect of the rights issues were published, with a maximum discount of approximately 87.00% and with an average discount of approximately 37.83%. The discount represented by the Subscription Price to the adjusted closing price of the Consolidated Shares on the Last Trading Day of approximately 67.11% is within the range of discounts of the Comparables although larger than the average discount of the Comparables. We consider that it is a common market practice for listed issuers in Hong Kong to conduct rights issue at a discount to the market price in order to enhance the attractiveness of the rights issue. In order to raise the funding need of approximately HK$207 million, the Company had previously negotiated with certain independent security firms in respect of the Company's potential fund raising exercises but none of them was interested in acting as underwriter for the Company. Further, during the negotiation process, the terms of the Rights Issue, including the basis of entitlement on the basis of one Rights Share for every one Consolidated Share, have been determined between the Company and the Underwriter. With reference to the Comparables, we noted that 5 out of 9 of the Comparables with a basis of entitlement of more than or equal to 1 for 1, have discount rates equal to or greater than 50% of subscription price to the closing price on the last trading day. Therefore, we are of the view that the discount set on the Subscription Price is in line with the market practice. Despite the discount of the Subscription Price to the adjusted closing price of the Consolidated Shares on the Last Trading Day is higher than the average discount of the Comparables and the discount of the Subscription Price to the theoretical ex-entitlement price falls outside of the range of the Comparables, taking into consideration (i) it is the Group's intention to raise a minimum amount of approximately HK$207 million from the Rights Issue to prepare the Group for the necessary financial resources to acquire further equity interests in the SF Group and for general working capital; (ii) the discount to the adjusted closing price of the Consolidated Shares on the Last Trading Day is in line with the market practice; (iii) the Underwriter was the only available underwriter to the Rights Issue; (iv) the Subscription Price has to be set at a discount level to the adjusted closing price of the Consolidated Share to be acceptable to the Underwriter; and (v) the discount of the Subscription Price to the adjusted closing price of the Consolidated Shares on the Last Trading Day falls within the range of the Comparables, we are of the view that the setting of the Subscription Price is justifiable.

As stated in the Letter from the Board and as confirmed with the Directors, it is the Company's intention to deeper the discount to the Subscription Price offered to Qualifying Shareholders in order to encourage them to participate in the Rights Issue and the future development and growth of the Company. Taking into account the above mentioned analysis and given that (i) the recent performance of the Group's satellite communication system was weakened and the level of cash position was relatively low; (ii) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter; and (iii) it is a common market practice for listed issuers in Hong Kong to conduct rights issue at a discount to the market price in order to enhance the attractiveness of the rights issue, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

No application for excess Rights Shares

As stated in the Letter from the Board, no excess Rights Shares will be offered to the Qualifying Shareholders and any Rights Shares not taken up by the Qualifying Shareholders will be underwritten by Excel Time pursuant to the Underwriting Agreement.

The Board is of the view that the Rights Issue provides the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company and is negotiated on an arm's length basis with Excel Time, the Underwriter. If application for excess Rights Shares is arranged, the Company will be required to put in additional effort to administer the excess application procedures, including but not limited to, preparing and arranging the excess application, reviewing the relevant documents, the printing and share registrar costs, and liaising with professional parties which will incur additional professional fees. It is estimated that an additional cost of approximately HK$100,000 to HK$200,000 will be incurred to administer the excess application procedures, which is not cost effective from the perspective of the Company, given that (i) the Group recorded a substantial decrease in turnover and was at a loss-making position for the six month ended 30 September 2015 as discussed in the above section headed "1. Background information of the Group" above; and (ii) a substantial portion of the fund raised has been earmarked for specific use as discussed in the above section headed "2. Reasons for the Rights Issue and the use of proceeds". As such, it is important for the Group to minimise all costs which may be incurred during the fund-raising process especially when the Group is not cash rich as evidenced by the Group's cash and cash equivalent level of approximately HK$10.70 million as at 30 September 2015. Moreover, Shareholders may acquire additional rights entitlement in the open market (subject to availability) prior to the Record Date should they wish so. Notwithstanding that excess application arrangement will not be made available to the Qualifying Shareholders, the Board considers that offering a discount on the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and the potential growth of the Company.

Despite that the absence of the excess application arrangement under the principal terms of the Rights Issue may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Rights Shares in excess of their assured entitlements, taking into account (i) the considerable discount set on the Subscription Price to the prevailing market price of the Consolidated Shares would allow the Qualifying Shareholders to subscribe for the Rights Shares at a lower cost given the basis of entitlement as determined between the Company and the Underwriter; (ii) all Qualifying Shareholders are given equal opportunities to subscribe for the Rights Shares; (iii) additional effort and costs would be incurred to arrange the excess application procedures which are not cost effective and would further create financial burden to the Group given its recent financial performance including (a) decrease in turnover; (b) loss-making position; and (c) low level of cash and cash equivalent; (iv) the absence of excess application arrangement for the Rights Issue is subject to approval by the Independent Shareholders at the EGM; and (v) Excel Time, being materially interested under the absence of excess application of the Rights Shares, is required to abstain from voting in favour of the Rights Issue at the EGM, we are of the view that the absence of excess application for the Rights Shares is justifiable.

Underwriting commission

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter a nominal underwriting commission of HK$1.00 and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. We noted from the analysis on the Comparables above that the underwriting commission charged by the respective underwriters of the Comparables ranged from nil to 3.25%, with an average of approximately 2.36% on the respective funds raised. The underwriting commission charged by the Underwriter is minimal, we are of the view that the underwriting commission paid to the Underwriter is favourable to the Company.

We have also reviewed other major terms of the Underwriting Agreement including, but not limited to, the payment terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Despite that the discount represented by the Subscription Price of HK$0.125 to the adjusted closing price of the Consolidated Shares on the Last Trading Day and the theoretical ex-entitlement price per Consolidated Share is higher than the average discount of the Comparables and falls outside of the range of the Comparables, respectively, considering that (i) the discount represented by the Subscription Price to the closing price of the Consolidated Shares on the Last Trading Day is within the range of discounts of the Comparables; (ii) given the weakened profitability for the six months ended 30 September 2015 and the thin trading liquidity, deeper discount could attract the Qualifying Shareholders to participate in the Rights Issue; (iii) the underwriting commission for the Rights Issue is minimal; and (iv) each Qualifying Shareholder has equal opportunity to participate in the Rights Issue and is entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its existing shareholding in the Company, we are of the view that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the interests of the Independent Shareholders

The changes in shareholding structure of the Company arising from the Rights Issue are set out in the paragraph headed "Shareholding Structure of the Company" in the Letter from the Board. All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding interest of other public Shareholders will have a maximum dilution of 50.00% from approximately 78.14% to approximately 39.07% immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and from approximately 79.90% to approximately 39.95% immediately upon the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders.

In addition, we noted from the Comparables as detailed in Table 3 under the section headed "3. Principal terms of the Rights Issue", that the maximum dilution to the existing shareholders as a result of the rights issue transactions ranged from approximately 12.28% to approximately 90.91%, with an average dilution rate of approximately 53.74%. As such, the maximum dilution of 50.00% to the existing public Shareholders as a result of the Rights Issue falls within the said market range and is lower than the average dilution rate of the Comparables.

Taking into account (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue; (ii) the Rights Issue is considered to be a more appropriate means as compared to other financing alternatives as discussed above; (iii) the inherent dilutive nature of rights issue in general if the existing shareholders do not subscribe for in full their assured entitlements; and (iv) the net proceeds from the Rights Issue would strengthen the Company's capital base and enhance its financial position at the outset, thereby better preparing the Group for making timely commitment when suitable investment opportunities are identified, we are of the view that the potential dilution effect of the Rights Issue is acceptable.

5. Financial effects of the Rights Issue

Net tangible assets

According to the section headed "Unaudited Pro Forma Financial Information" set out in Appendix II to the Circular, assuming the Rights Issue had been completed on 30 September 2015, the unaudited net tangible liabilities of the Group was approximately HK$171.87 million as at 30 September 2015. The unaudited pro forma adjusted net tangible assets of the Group would amount to approximately

HK$35.13 million as at 30 September 2015 upon completion of the Rights Issue (on the basis that 1,674,400,000 Rights Shares are issued). The unaudited pro forma adjusted net tangible assets per Consolidated Share as at 30 September 2015 upon completion of the Rights Issue would record at approximately HK$0.01 (on the basis that 1,674,400,000 Rights Shares are issued) against the unaudited net tangible liabilities of the Group per Consolidated Share attributable to the equity holders of approximately HK$0.122 before the completion of the Rights Issue. Based on the foregoing, the Rights Issue will have a positive effect on the financial position of the Group by enhancing its unaudited net tangible assets value per Share and also its net assets value.

Liquidity

According to the Interim Report 2015, the cash and cash equivalents of the Group as at 30 September 2015 was approximately HK$10.70 million. Upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the minimum estimated net proceeds of approximately HK$207 million based on the minimum of 1,674,400,000 Rights Shares to be issued. As such, the net current assets and current ratio of the Company will improve, thereby enhancing the financial position of the Group.

Gearing ratio

According to the Interim Report 2015, as at 30 September 2015, the gearing ratio (total borrowings (comprising bank borrowings and finance lease payables), net of cash and cash equivalents, over total equity attributable to owners of the Company) was 72.78%. Upon completion of the Rights Issue, the capital base of the Group would be enlarged whilst the borrowings of the Group are not expected to change as a result of the Rights Issue. As such, the gearing ratio of the Group is expected to be improved upon completion of the Rights Issue.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

6. Whitewash Waiver

As at the Latest Practicable Date, the Underwriter, together with its beneficial owners (namely, Mr. Wong Chit On, which was also the Chairman of the Board and an executive Director) and parties acting in concert with any one of them are beneficially interested in 1,230,000,000 Shares, representing approximately 14.69% of the issued share capital of the Company and 6,000,000 Share Options, of which 2,000,000 are Vested Share Options. In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, Excel Time, being the Underwriter, has agreed to subscribe for and take up a maximum of 1,582,879,995 Rights Shares that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement.

Assuming the Underwriter has taken up its obligation pursuant to the Underwriting Agreement in full, the subscription for and the underwriting of the Rights Shares under the Rights Issue by the Underwriter may result in its shareholdings in the Company being increased from approximately 14.69% of the existing issued share capital of the Company to approximately 57.35% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming none of the outstanding Share Options and the Warrants are exercised), or to approximately 56.73% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (if all the Vested Share Options and the outstanding Warrants are all exercised in full). If the total voting rights of the Underwriter and the parties acting in concert with it increases from below 30% to more than 30%, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Consolidated Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which the Underwriter, its beneficial owners and the parties acting in concert with any one of them shall abstain from voting on the relevant resolution(s). It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive, the Rights Issue will lapse and will not proceed.

Completion of the Rights Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Rights Issue will lapse and will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Rights Issue, including but not limited to, the availability of funds out of the net proceeds to be raised from the Rights Issue for the purpose of (i) the Group's proposed acquisition of further equity interests in SF Group for its business development; and (ii) the Group's general working capital as to strengthen the its capital base and financial position in order to make timely investments for future development when opportunities arise.

Based on our analysis of the terms of the Underwriting Agreement and the Rights Issue, we consider that the entering into of the Underwriting Agreement and the Rights Issue is in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Rights Issue, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

With respect of the Underwriting Agreement, the Rights Issue (including the absence of excess application arrangement under the Rights Issue) and the Whitewash Waiver, based on the abovementioned principal factors and reasons for the entering into of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, we are of the view that, while the Underwriting Agreement and the Rights Issue are not entered into in the ordinary and usual course of business of the Company, the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Goldin Financial Limited

Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited financial results of the Group for each of the three years ended 31 March 2013, 2014 and 2015 as extracted from the annual reports of the Company for the years ended 31 March 2013, 2014 and 2015, and the unaudited interim results of the Group for the six months ended 30 September 2015 as extracted from the interim report of the Company for the six months ended 30 September 2015. There were no extraordinary items or exceptional items in respect of the consolidated income statement of the Group for each of the aforesaid years and period.

No qualified opinion had been given in the auditor's reports issued by CCIF CPA Limited in respect of the three years ended 31 March 2015.

Results

	For the year ended 31 March			For the six months ended 30 September
	2015	**2014**	**2013**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	329,667	174,421	115,690	37,107
Profit (loss) from operations	86,325	50,401	47,890	(42,743)
Finance costs	(22,577)	(11,564)	—	(11,127)
Profit (loss) before taxation	63,748	38,837	47,890	(53,870)
Income tax	(30,009)	(8,810)	(11,883)	940
Profit (loss) for the year attributable to owners of the Company	33,739	30,027	36,007	(52,930)
Earnings (loss) per Share — Basic	HK0.53 cent	HK0.49 cent	HK0.61 cent*	HK(0.79) cent
— Diluted	HK0.52 cent	HK0.49 cent	HK0.61 cent*	HK(0.79) cent
Dividend	—	10,112	36,000	—
Dividend per Share	—	HK0.16 cent	HK3 cents	—

Assets and liabilities

	At 31 March			At 30 September
	2015	**2014**	**2013**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,128,719	978,698	332,735	1,248,718
Total liabilities	607,448	545,476	54,549	618,049
Shareholders' funds	521,271	433,222	278,186	630,669

* *Adjusted for the issue in 2014*

2. AUDITED FINANCIAL INFORMATION

The following is the audited financial statements of the Group extracted from the annual report of the Company for the year ended 31 March 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Turnover	*5*	329,667	174,421
Cost of sales		(163,732)	(82,215)
Gross profit		165,935	92,206
Other revenue	*6*	24,596	27,289
Selling and distribution expenses		(6,994)	(8,600)
Administrative and other operating expenses		(68,866)	(45,158)
Research and development expenditure	*7(c)*	(28,346)	(15,336)
Profit from operations		86,325	50,401
Finance costs	*7(a)*	(22,577)	(11,564)
Profit before taxation	*7*	63,748	38,837
Income tax	*8*	(30,009)	(8,810)
Profit for the year attributable to owners of the Company		33,739	30,027
Earnings per share	*13*		
— Basic		HK0.53 cents	HK0.49 cents
— Diluted		HK0.52 cents	HK0.49 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	33,739	30,027
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	(701)	61
Other comprehensive (loss)/income for the year, net of tax	(701)	61
Total comprehensive income for the year (net of tax) attributable to owners of the Company	33,038	30,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	*15*	71,904	76,469
Intangible assets	*16*	614,610	616,565
Goodwill	*17*	34,814	—
Available-for-sale investments	*19*	3,900	—
		725,228	693,034
Current assets			
Inventories	*20(a)*	3,713	22,344
Trade and other receivables	*21*	345,714	175,567
Cash and cash equivalents	*22*	54,064	87,753
		403,491	285,664
Current liabilities			
Bank borrowings	*25*	44,439	22,874
Trade and other payables	*24*	75,831	20,981
Finance leases payables	*26*	49,810	52,655
Amount due to a director	*28*	1	239
Current taxation	*29(a)*	26,789	21,339
		(196,870)	(118,088)
Net current assets		206,621	167,576
Total assets less current liabilities		931,849	860,610
Non-current liabilities			
Finance leases payables	*26*	388,419	423,677
Deferred tax liabilities	*29(b)*	22,159	3,711
		(410,578)	(427,388)
Net assets		521,271	433,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31(b)*	64,450	63,200
Reserves		456,821	370,022
Total equity		521,271	433,222

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment in a subsidiary	18	95,012	95,012
Current assets			
Amounts due from subsidiaries	23	314,632	259,908
Deposits	21	50	—
Cash and cash equivalents	22	157	86
		314,839	259,994
Current liabilities			
Other payables	24	944	757
Amount due to a director	28	1	1
Amount due to a subsidiary	23	732	732
		(1,677)	(1,490)
Net current assets		313,162	258,504
Net assets		408,174	353,516
EQUITY			
Share capital	31(a)	64,450	63,200
Reserves	31(b)	343,724	290,316
Total equity		408,174	353,516

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

		Attributable to owners of the Company									
		Share capital	Share premium	Share-based compensation reserve	Warrants reserve	Convertible bonds reserve	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total equity
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013		12,000	106,758	—	—	—	(90)	23,843	25,399	110,276	278,186
Comprehensive income											
Profit for the year		—	—	—	—	—	—	—	—	30,027	30,027
Other comprehensive income											
Exchange differences arising on translation of financial statements of PRC subsidiaries		—	—	—	—	—	—	—	61	—	61
Total comprehensive income for the year		—	—	—	—	—	—	—	61	30,027	30,088
Transactions with owners											
Equity-settled share-based payments		—	—	2,308	—	—	—	—	—	—	2,308
Transfer to statutory reserves		—	—	—	—	—	—	4,624	—	(4,624)	—
Issue of shares upon acquisition of assets		640	156,800	—	—	—	—	—	—	—	157,440
Issue of bonus shares	*31(b)(iii)*	50,560	—	—	—	—	—	—	—	(50,560)	—
Issue of warrants	*31(c)(vi)*	—	—	—	1,200	—	—	—	—	—	1,200
Final dividend in respect of the previous year	*12(b)*	—	—	—	—	—	—	—	—	(36,000)	(36,000)
Total transactions with owners		51,200	156,800	2,308	1,200	—	—	4,624	—	(91,184)	124,948
At 31 March 2014		>63,200	263,558	2,308	1,200	—	(90)	28,467	25,460	49,119	433,222
At 1 April 2014		63,200	263,558	2,308	1,200	—	(90)	28,467	25,460	49,119	433,222
Comprehensive income											
Profit for the year		—	—	—	—	—	—	—	—	33,739	33,739
Other comprehensive loss											
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		—	—	—	—	—	—	—	(701)	—	(701)
Total comprehensive income for the year		—	—	—	—	—	—	—	(701)	33,739	33,038
Transactions with owners											
Equity-settled share-based payments		—	—	8,128	—	—	—	—	—	—	8,128
Transfer to statutory reserves		—	—	—	—	—	—	3,717	—	(3,717)	—
Issue of warrants	*31(c)(vi)*	—	—	—	6,600	—	—	—	—	—	6,600
Issue of convertible bonds	*31(b)(ii)*					14,459					14,459
Shares issued upon conversion of convertible bonds	*31(b)(ii)*	1,250	49,145	—	—	(14,459)	—	—	—	—	35,936
Final dividend in respect of the previous year	*12(b)*	—	—	—	—	—	—	—	—	(10,112)	(10,112)
Total transactions with owners		1,250	49,145	8,128	6,600	—	—	—	—	(13,829)	55,011
At 31 March 2015		64,450	312,703	10,436	7,800	—	(90)	32,184	24,759	69,029	521,271

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Profit before taxation		63,748	38,837
Adjustments for:			
Interest income	*6*	(700)	(1,094)
Finance costs	*7(a)*	22,577	11,564
Amortisation of intangible assets	*7(c)*	72,181	36,155
Depreciation of property, plant and equipment	*7(c)*	10,321	3,452
Write down of inventories	*20(b)*	9,994	3,655
Reversal of write down of inventories	*20(b)*	(3,875)	(1,997)
Loss on disposal of property, plant and equipment		985	—
Share-based payment expenses		8,128	2,308
		183,359	92,880
Changes in working capital			
Decrease/(increase) in inventories		12,512	(4,412)
Increase in trade and other receivables		(170,147)	(55,648)
Decrease in amounts due to directors		(238)	(2)
Increase/(decrease) in trade and other payables		21,850	(4,120)
Cash generated from operations		47,336	28,698
Income tax paid			
The People's Republic of China ("PRC")	*29(a)*	(24,519)	(14,001)
		(24,519)	(14,001)
Net cash generated from operating activities		22,817	14,697
Investing activities			
Payment for the purchase of property, plant and equipment		(6,853)	(27,628)
Payment of expenses directly attributable to acquisition of intangible assets		—	(1,816)
Payment for purchase of available-for-sale investments		(3,900)	—
Net cash outflows from acquisition of subsidiaries		(56,853)	—
Interest received	*6*	700	1,094
Net cash used in investing activities		(66,906)	(28,350)

	Note	2015 HK$'000	2014 HK$'000
Financing activities			
Proceeds from new bank borrowings		50,564	25,219
Repayment of bank borrowings		(28,999)	(2,345)
Proceeds from issue of warrants	*31(c)(vi)*	6,600	1,200
Net proceeds from issue of convertible bonds		50,000	—
Finance lease rental payments		(57,068)	(8,872)
Dividend paid	*12(b)*	(10,112)	(36,000)
Interest paid		(3,217)	(1,984)
Net cash generated from/(used in) financing activities		7,768	(22,782)
Net decrease in cash and cash equivalents		(36,321)	(36,435)
Cash and cash equivalents at beginning of the year		87,753	124,549
Effect of foreign exchange rates changes		(2,632)	(361)
Cash and cash equivalents at end of the year	*22*	54,064	87,753
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	*22*	54,064	87,753

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, the People's Republic of China (the "PRC") respectively.

On 18 April 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system and (iii) provision of THAICOM-4 satellite ("Synertone 1") satellite bandwidth capacity and communication service application.

The principal operations of the Group are conducted in the PRC. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. The directors consider that presenting consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to its immediate parent and ultimate holding company whose functional currency is HK$.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, continue to be those of the predecessor Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2015 comprise the financial statements of the Group.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in HK$, rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d)(i) Business combinations

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

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

— a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Taxes*;

— assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

(d)(ii) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(j)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(u)(iv).

When the investments are derecognised or impaired, the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(j)(ii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Plant and machinery	4–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimate useful life is finite) and impairment losses (see note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Technical know-how for digital trunking system	3–5 years
Technical know-how for VSAT satellite system	5 years
Administrative system costs	5 years
Rights to use Synertone 1 satellite bandwidth	9.5 years
Safe communication technology softwares	10 years
Patents	10 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in intangible assets and the corresponding liabilities, net of finance charges, are recorded as finance leases payable. Amortisation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(j)(i)).

(m) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to retained profits.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the date of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(t)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(t)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Revenue from Synertone 1 satellite system

Income from provision of satellite bandwidth capacity and communication services application is recognised when the said services are provided to customers.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

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.

(vi) Value-added taxes refund

Value-added taxes refund is recognised when the Group complied with the conditions attaching to them and the acknowledgement of refund from the PRC Tax Bureau has been received.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005 are translated into HK$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chairman, who has been identified as the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The application of these amendments will only affect the disclosure of information in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period. Note 30 contain information about the assumptions and risk factors relating to equity-settled share-based transactions. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of non-financial assets (other than goodwill)

Determining whether there is an impairment requires an estimation of recoverable amounts of the property, plant and equipment, intangible assets or the respective CGU in which property, plant and equipment, intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with accounting policy stated in note 2(g). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with accounting policy stated in note 2(h). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(v) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

(vi) Estimation of impairment of receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual impairment losses would be higher than estimated.

(vii) Estimation of provision for warranty

The Group generally provides 0 to 3 years warranties to its customers on its products under which faulty products are repaired and replaced. Provision for warranty is made based on possible claims on the products by customers with reference to the percentage of warranty expenses incurred over total sales amounts during the year ended 31 March 2015, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) Taxation and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax charge in the periods in which such estimate is changed.

(ii) Withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment.

5. TURNOVER

The principal activities of the Group are (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, VSAT satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application.

Turnover represents the sales value of goods supplied to customers which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts. The amount of each significant category of revenue recognised during the year is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Digital trunking system	134,376	83,261
VSAT satellite system	20,845	24,981
Systems technologies	17,664	16,348
Other accessory parts and components	5,147	2,382
Synertone 1 satellite system	151,635	47,449
	329,667	174,421

6. OTHER REVENUE

	2015	**2014**
	HK$'000	*HK$'000*
Bank interest income from bank deposits *(note a)*	700	1,094
Government grants *(note b)*	11,911	14,609
Value-added taxes refund *(note c)*	11,902	11,533
Sundry income	83	53
	24,596	27,289

Note:

(a) Bank interest income from bank deposits represented the total interest income on financial assets not at fair value through profit or loss.

(b) These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

(c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

(a) Finance costs

	2015	2014
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank borrowings wholly repayable within five years	3,217	1,984
Effective interest expenses on convertible bonds payables	395	—
Finance charges on finance lease payables	18,965	9,580
	22,577	11,564

(b) Staff costs (including directors' remuneration in note 9)

	2015	2014
	HK$'000	*HK$'000*
Salaries, wages and other benefits	58,552	44,720
Retirement benefit scheme contributions	1,057	1,005
Equity-settled share-based payment expenses	8,128	2,308
	67,737	48,033

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute a state-sponsored retirement plan, which is a defined contribution pension schemes, for all of their employees at a certain percentage of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	910	750
Cost of inventories *(note 20(b))*	76,062	47,975
Amortisation of intangible assets	72,181	36,155
Depreciation of property, plant and equipment	10,321	3,452
Loss on disposal of property, plant and equipment	985	—
Net exchange loss/(gain)	752	(2,697)
Operating lease charges in respect of leased property	4,749	5,034
Research and development expenditure*	28,346	15,336

* *Research and development expenditure for the year ended 31 March 2015 included approximately HK$13,406,000 (2014: HK$9,409,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).*

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2015	2014
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	29,982	14,970
Deferred tax		
Origination and reversal of temporary differences	(1,991)	(2,450)
Attributable to a change in tax rate	2,018	(3,710)
	30,009	8,810

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(iii) No provision has been made for Hong Kong Profits Tax as the Group does not earn any income subject to Hong Kong Profits Tax during the year.

(iv) PRC subsidiaries of the Group, Synertone Communication Technology Limited ("Synertone Technology"), being the foreign invested "encouraged hi-tech enterprise" was entitled to a preferential EIT rate of 15%. The period of grant of preferential EIT rate was expired on 31 December 2013 and Synertone Technology has submitted an application for renewal and continued to use EIT rate of 15% as allowed by the relevant PRC authority in the PRC during the year ended 31 March 2014.

As Synertone Technology had changed its company name, it should re-submit the application of being an "encouraged hi-tech enterprise". The application is still in progress up to the date of approval of the financial statements. Thus, Synertone Technology was therefore subject to EIT rate of 25% during the year.

The period of grant for Synertone Satellite Communication (Shenzhen) Company Limited ("Synertone Satellite") as foreign invested "encouraged hi-tech enterprise" was expired on 31 December 2012 and the EIT rate was therefore 25% from 1 January 2013 onwards.

(v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% on 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. During the year ended 31 March 2015, withholding income tax rate of Synertone Technology was increased from 5% to 10% (2014: decreased from 10% to 5%).

Deferred tax liabilities of approximately HK$4,659,000 (2014: HK$3,711,000) in respect of the withholding income tax on dividend to be paid out of earnings not yet distributed since 1 January 2008 has been recognised by the Group for the year ended 31 March 2015.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Profit before taxation	63,748	38,837
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	14,468	5,699
Tax effect of non-deductible expenses	11,711	3,610
Tax effect of non-taxable income	(3,535)	(3,165)
Tax effect of deductible temporary differences not recognised	306	655
Tax effect of unused tax losses not recognised	2,470	3,456
Tax effect of tax losses not allowed for tax deduction	559	1,286
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	4,030	(2,731)
Actual tax expense	30,009	8,810

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

Year ended 31 March 2015

	Fees	Salaries allowances and benefits in kind	Bonus	Retirement benefit scheme contributions	Sub-total	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*
Executive directors							
Wong Chit On *(note ii)*	100	3,565	—	18	3,683	87	3,770
Han Weining *(note ix)*	100	240	—	13	353	87	440
Zhang Jinbing *(note vii)*	4	22	—	1	27	68	95
Wang Shaodong *(note iv)*	100	240	—	13	353	68	421
Xia Liangbing *(note iii)*	—	403	—	—	403	—	403
Non-executive director							
Zhang Xuebin *(note v)*	100	—	—	—	100	680	780
Independent non-executive directors							
Lam Ying Hung Andy	100	—	—	—	100	87	187
Hu Yunlin	100	—	—	—	100	87	187
Cai Youliang *(note vi)*	100	—	—	—	100	87	187
	704	4,470	—	45	5,219	1,251	6,470

Year ended 31 March 2014

	Fees	Salaries allowances and benefits in kind	Bonus	Retirement benefit scheme contributions	Sub-total	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*
Executive directors							
Wong Chit On *(note ii)*	100	3,000	—	15	3,115	23	3,138
Lu Zhijie *(note viii)*	75	180	—	10	265	—	265
Han Weining *(note ix)*	100	240	—	13	353	23	376
Zhang Jinbing *(note vii)*	100	600	—	15	715	23	738
Wang Shaodong *(note iv)*	28	68	—	3	99	23	122
Non-executive director							
Zhang Xuebin *(note v)*	7	—	—	—	7	170	177
Independent non-executive directors							
Lam Ying Hung Andy	100	—	—	—	100	23	123
Hu Yunlin	100	—	—	—	100	23	123
Wu Xiaowen *(note x)*	12	—	—	—	12	—	12
Cai Youliang *(note vi)*	75	—	—	—	75	23	98
	697	4,088	—	56	4,841	331	5,172

Notes:

(i) These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 22 March 2012. The value of these share options in measured according to the Group's accounting policies for share-based payment as set out in note 2(r).

(ii) Mr. Wong Chit On was the chief executive officer of the Group during the two years ended 31 March 2015 and 2014 and the emoluments disclosed above include those for services rendered by him as chief executive officer. Mr. Wong Chit On ceased to be the chief executive officer with effect from 25 June 2015.

(iii) Appointed on 10 October 2014 and resigned on 26 May 2015.

(iv) Appointed on 20 December 2013 and resigned on 2 June 2015.

(v) Appointed on 6 March 2014 and resigned on 2 June 2015.

(vi) Appointed on 28 June 2013 with effect from 2 July 2013 and resigned on 25 June 2015.

(vii) Appointed on 23 August 2012 and resigned on 14 April 2014.

(viii) Resigned on 1 January 2014.

(ix) Appointed as chief executive officer with effect from 25 June 2015.

(x) Appointed on 23 August 2012 and resigned on 14 May 2013.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2015 and 2014.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two directors (2014: two directors) of the Company whose emoluments are disclosed in note 9. The emoluments of the remaining three (2014: three) were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, allowance and benefits in kind	2,549	1,978
Bonus	902	914
Equity-settled share-based payments	45	231
Retirement benefit scheme contributions	2,184	41
	5,680	3,164

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015	**2014**
HK$Nil to HK$1,000,000	—	2
HK$1,000,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$3,000,000	1	—

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2015 and 2014.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of approximately HK$353,000 (2014: profit of approximately HK$10,378,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
Final dividend proposed of HKNil (2014: HK0.16 cents) per ordinary share after the end of the reporting period	—	10,112

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2015.

For the year ended 31 March 2014, the final dividend proposed after the end of the reporting period is based on 6,320,000,000 ordinary shares, being the total number of issued shares at the date of approval of the financial statements.

(b) Dividend payable to owners of the Company attributable to the previous financial year, approved and paid during the year.

	2015	2014
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.16 cents (2014: HK3 cents) per ordinary share	10,112	36,000

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$33,739,000 (2014: HK$30,027,000) and the weighted average number of 6,360,411,000 ordinary shares (2014: 6,134,137,000 ordinary shares) in issue during the year, calculated as follows:

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	33,739	30,027

Weighted average number of ordinary shares (basic)

	2015	2014
	'000	*'000*
Issued ordinary shares at beginning of the year	6,320,000	6,000,000
Effect of shares issued under acquisition of assets	—	134,137
Effect of shares issued upon conversion of convertible bonds *(note 31(b)(ii))*	40,411	—
Weighted average number of ordinary shares (basic) at end of the year	6,360,411	6,134,137

(b) Diluted earnings per share

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to owners of the Company (diluted)	33,739	30,027

Weighted average number of ordinary shares (diluted)

	2015	2014
	'000	*'000*
Weighted average number of shares at end of the year	6,360,411	6,134,137
Effect of deemed issue of shares from exercise of warrants	55,480	—
Effect of deemed issue of shares under share option scheme	57,575	—
Weighted average number of ordinary shares (diluted) at end of the year	6,473,466	6,134,137

For the year ended 31 March 2015, diluted earnings per share do not include the effect of the convertible bonds since their assumed conversion had an anti-dilutive effect on the basic earnings per share.

For the year ended 31 March 2014, diluted earnings per share did not assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price per share.

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. On adoption of HKFRS 8, Operating segments, and in a manner consistent with the way in which information is reported internally to the Chairman, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments:

Digital trunking system: Digital trunking system is designed to meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, mainly consists of CITONE digital trunking radio communication system, WITONE digital trunking radio communication system and DITONE digital trunking radio communication system. Based on the specifications of customers, the Group offers a range of core components forming digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network. Different modes of digital trunking system can be set up and operated with various combinations of components addressing particular needs of users.

VSAT satellite system: VSAT satellite system is a component of the specialised communication system. VSAT satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of VSAT satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

Systems technologies:	This segment developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing fee to the Group for the use of certain technical know-how and technology; and (b) paid commissions to the Group to conduct research and development and to design and develop particular technical know-how to meet their specifications and requirements and needs.
Synertone 1 satellite system:	This segment represent provision of satellite bandwidth capacity and communication services application.

The Group combined other business activities in "Others", in which, the Group offers accessory parts and components, as options to the customers for use in specialised communication system industry or other industry in accordance with customers' specifications.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's Chairman monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments, bank borrowings and finance lease payables managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is adjusted earnings before interest and taxes ("Adjusted EBIT"). To arrive at adjusted earnings before interest and taxes, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income, value-added taxes refund, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, research and development expenditure, income tax and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chairman and executive director for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2015 and 2014 is as follows:

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers *(note)*	134,376	83,261	20,845	24,981	17,664	16,348	151,635	47,449	5,147	2,382	329,667	174,421
Inter-segment revenue	—	—	—	—	—	—	—	—	—	—	—	—
Reportable segment revenue	134,376	83,261	20,845	24,981	17,664	16,348	151,635	47,449	5,147	2,382	329,667	174,421
Reportable segment profit/(loss) (adjusted EBIT)	22,121	32,102	637	5,840	8,917	9,620	71,392	14,500	(313)	(36)	102,754	62,026
Interest income	543	785	34	76	115	233	—	—	—	—	692	1,094
Value-added taxes refund	9,339	11,533	576	—	1,987	—	—	—	—	—	11,902	11,533
Finance costs	(2,525)	(1,333)	(156)	(255)	(537)	(396)	(18,964)	(9,580)	—	—	(22,182)	(11,564)
Amortisation of intangible assets	(6,514)	(5,150)	(79)	(161)	(274)	—	(65,314)	(30,844)	—	—	(72,181)	(36,155)
Depreciation of property, plant and equipment	(7,861)	(2,523)	(829)	(330)	(1,631)	(599)	—	—	—	—	(10,321)	(3,452)
Write down of inventories	(7,842)	(3,655)	(484)	—	(1,668)	—	—	—	—	—	(9,994)	(3,655)
Reversal of write down of inventories	3,040	1,997	188	—	647	—	—	—	—	—	3,875	1,997
Research and development expenditure	(22,242)	(10,655)	(1,373)	(1,664)	(4,731)	(3,017)	—	—	—	—	(28,346)	(15,336)
Income tax expenses	(13,008)	(3,427)	(666)	(500)	(2,294)	(138)	(14,041)	(4,745)	—	—	(30,009)	(8,810)
Reportable segment assets	371,252	220,091	18,035	34,560	54,191	64,997	681,088	658,943	—	—	1,124,566	978,591
Additions to non-current segment assets												
— Property, plant and equipment	5,190	19,810	559	1,934	1,104	5,884	—	—	—	—	6,853	27,628
— Intangible assets	73,736	—	—	—	—	—	—	640,438	—	—	73,736	640,438
	78,926	19,810	559	1,934	1,104	5,884	—	640,438	—	—	80,589	668,066
Reportable segment liabilities	85,015	39,249	9,369	8,241	14,347	12,272	464,626	484,493	—	—	573,357	544,255
Revenue from:												
Customer A	—	—	1,346	—	—	—	140,410	47,449	—	—	141,756	47,449
Customer B	99,409	35,508	16,780	12,857	17,664	9,794	—	—	4,480	59	138,333	58,218
Customer C	7,581	7,942	—	11,215	—	5,399	—	—	—	—	7,581	24,556
Customer D	16,124	21,867	—	—	—	—	—	—	—	—	16,124	21,867
	123,114	80,357	18,126	24,072	17,664	15,193	140,410	47,449	4,480	59	303,794	152,090

Note: Revenues of two (2014: four) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2015 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 32(a).

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	329,667	174,421
Elimination of inter-segment revenue	—	—
Consolidated revenue	329,667	174,421
Profit		
Reportable segment profit	102,754	62,026
Elimination of inter-segment profits	—	—
Reportable segment profit derived from Group's external customers	102,754	62,026
Interest income	700	1,094
Finance costs	(22,577)	(11,564)
Unallocated corporate expenses	(17,129)	(12,719)
Consolidated profit before taxation	63,748	38,837
Assets		
Reportable segment assets	1,124,566	978,591
Elimination of inter-segment receivables	—	—
	1,124,566	978,591
Available-for-sale investments	3,900	—
Unallocated corporate assets	253	107
Consolidated total assets	1,128,719	978,698
Liabilities		
Reportable segment liabilities	573,357	544,255
Elimination of inter-segment payables	—	—
	573,357	544,255
Amount due to a director	1	239
Unallocated corporate liabilities	34,090	982
Consolidated total liabilities	607,448	545,476

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue from external customers		**Non-current assets**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	—	—	1,638	1,063
PRC	329,667	174,421	719,690	691,971
	329,667	174,421	721,328	693,034

(d) Information about products and services

The Group's revenue from external customers for each principal type of products were set out in note 5.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 April 2013	3,624	24,212	1,802	8,826	37,034	75,498
Additions	278	2,164	595	—	24,591	27,628
Effect of foreign currency exchange differences	32	215	16	52	420	735
At 31 March 2014	3,934	26,591	2,413	8,878	62,045	103,861
At 1 April 2014	3,934	26,591	2,413	8,878	62,045	103,861
Additions	232	6,411	99	111	—	6,853
Acquisition through business combination *(note 33)*	—	—	13	—	—	13
Disposals	(17)	(4,118)	(170)	—	—	(4,305)
Transfer	31,543	5,976	—	—	(37,519)	—
Adjustment resulted from cost variation	—	—	—	—	(213)	(213)
Effect of foreign currency exchange differences	24	37	3	8	52	124
At 31 March 2015	35,716	34,897	2,358	8,997	24,365	106,333
Accumulated depreciation and impairment						
At 1 April 2013	12	17,961	1,549	4,210	—	23,732
Charge for the year	519	1,771	83	1,079	—	3,452
Effect of foreign currency exchange differences	—	161	11	36	—	208
At 31 March 2014	531	19,893	1,643	5,325	—	27,392
At 1 April 2014	531	19,893	1,643	5,325	—	27,392
Charge for the year	6,783	2,400	185	953	—	10,321
Eliminated on disposals of assets	(13)	(3,137)	(170)	—	—	(3,320)
Effect of foreign currency exchange differences	5	24	2	5	—	36
At 31 March 2015	7,306	19,180	1,660	6,283	—	34,429
Carrying amounts						
At 31 March 2015	28,410	15,717	698	2,714	24,365	71,904
At 31 March 2014	3,403	6,698	770	3,553	62,045	76,469

16. INTANGIBLE ASSETS

The Group

	Technical know-how for digital trunking system HK$'000	Technical know-how for VSAT satellite system HK$'000	Administrative system costs HK$'000 (note a)	Rights to use Synertone 1 satellite bandwidth HK$'000 (note b)	Safe communication technology softwares HK$'000 (note c)	Patents HK$'000 (note c)	Total HK$'000
Cost							
At 1 April 2013	52,787	9,500	5,011	—	—	—	67,298
Additions	—	—	—	640,438	—	—	640,438
Effect of foreign currency exchange differences	69	—	—	—	—	—	69
At 31 March 2014	52,856	9,500	5,011	640,438	—	—	707,805
At 1 April 2014	52,856	9,500	5,011	640,438	—	—	707,805
Additions	—	—	—	—	—	—	—
Acquisition through business combination *(note 33)*	—	—	—	—	34,637	39,099	73,736
Effect of foreign currency exchange differences	15	—	—	(3,742)	17	18	(3,692)
At 31 March 2015	52,871	9,500	5,011	636,696	34,654	39,117	777,849
Accumulated amortisation							
At 1 April 2013	42,812	9,500	2,755	—	—	—	55,067
Charge for the year	4,309	—	1,002	30,844	—	—	36,155
Effect of foreign currency exchange differences	18	—	—	—	—	—	18
At 31 March 2014	47,139	9,500	3,757	30,844	—	—	91,240
At 1 April 2014	47,139	9,500	3,757	30,844	—	—	91,240
Charge for the year	2,178	—	1,002	65,314	1,732	1,955	72,181
Effect of foreign currency exchange differences	9	—	—	(193)	1	1	(182)
At 31 March 2015	49,326	9,500	4,759	95,965	1,733	1,956	163,239
Carrying amounts							
At 31 March 2015	3,545	—	252	540,731	32,921	37,161	614,610
At 31 March 2014	5,717	—	1,254	609,594	—	—	616,565

Notes:

(a) Administrative system costs represent costs of Group's computer system software. Technical know-how for digital trunking system and VSAT satellite system represents technical know-how acquired by the Group in relation to the production of specialised communication systems.

(b) On 15 October 2013, the Group has completed the acquisition of assets in relation to the rights to use Synertone 1 satellite bandwidth for the provision of satellite bandwidth capacity and communication service application. The consideration amount to US$80,000,000, which consists of (i) cash installments in aggregate of approximately US$75,900,000 payable annually during the service period of 9.5 years and (ii) the 64,000,000 shares of the Company amounting to approximately US$4,100,000 to be allotted and issued at the issue price of HK$0.5034 per share.

The cost is allocated to intangible assets amounting to HK$640,438,000 on the basis of their fair values at the date of acquisition. The fair value of the shares at the date of acquisition was determined using the published market price at the date of acquisition. The present value of minimum lease payments was calculated based on the present value of the contractually determined stream of future cash flows discounted at 4.486%.

The rights have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the useful lives of 9.5 years.

(c) It represents the technologies in relation to the provision of a safe communication environment for end users.

(d) At the end of the reporting period, the carrying amount of intangible assets held under finance lease of the Group was HK$540,731,000 (2014: HK$609,594,000).

(e) The amortisation charge for the year is included in cost of sales of approximately HK$70,179,000 (2014: HK$31,974,000), research and development expenditure of approximately HK$462,000 (2014: HK$502,000) and administrative expenses of approximately HK$1,540,000 (2014: HK$3,679,000) respectively in the consolidated statements of profit or loss.

17. GOODWILL

	The Group	
	2015	**2014**
	HK$'000	*HK$'000*
Cost:		
At beginning of year	—	—
Acquisition of a subsidiary *(note 33)*	34,798	—
Effect of foreign currency exchange differences	16	—
At end of the year	34,814	—
Accumulated impairment losses:		
At the beginning of the year	—	—
Impairment loss	—	—
At end of the year	—	—
Carrying amount	34,814	—

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGU as follows:

	The Group	
	2015	**2014**
	HK$'000	*HK$'000*
Provision of safe communication technologies	34,814	—

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions, long-term growth rate and discount rate used in value-in-use calculations are as follows:

	The Group 2015	**2014**
	%	*%*
— Gross margin	92%	N/A
— Long term growth rate	3%	N/A
— Pre-tax discount rate	16.77%	N/A

Management determined the budgeted gross margin based on its expectations for market development. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

18. INVESTMENT IN A SUBSIDIARY

	2015	**2014**
	HK$'000	*HK$'000*
Unlisted shares, at cost	95,012	95,012

At as 31 March 2015, the details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Direct	Indirect	Principal activities/ place of operation
Synertone Group Holdings Limited ("Synertone Group")	Hong Kong	10,000 ordinary shares	100%	100%	—	Investment holding/ Hong Kong
Vastsuccess Holdings Limited ("Vastsuccess")	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding and provision of satellite bandwidth capacity and communication services application/Hong Kong and PRC
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	—	100%	Investment holding/ Hong Kong
Synertone Satellite Communication Limited (previously known as "Synertone Communication Limited")	Hong Kong	10,000 ordinary shares	100%	—	100%	Trading of specialised communication systems, investment holding/ Hong Kong
Synertone Communication Technology Limited (previously known as "Synertone Wireless Limited")	Hong Kong	10,000 ordinary shares	100%	—	100%	Trading of specialised communication systems, investment holding/ Hong Kong

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Direct	Indirect	Principal activities/ place of operation
協同衛星通信(深圳)有限公司 (前稱: "協同迅達電子科技(深圳)有限公司") *(note (a))*	PRC	Registered capital of HK$16,000,000	100%	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
協同通信技術有限公司 *(note (a))*	PRC	Registered capital of HK$80,000,000	100%	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
Thrive United Holdings Limited	BVI	1 ordinary share	100%	—	100%	Investment holding/ Hong Kong and PRC
Longching Technology Limited	Hong Kong	10,000 ordinary shares	100%	—	100%	Investment holding/ Hong Kong and PRC
朗晴通科技(深圳)有限公司 *(note (a))*	PRC	Registered capital of HK$1,000,000	100%	—	100%	Design, development and sale of security systems/PRC

Notes:

(a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.

19. AVAILABLE-FOR-SALE INVESTMENTS

	The Group 2015 *HK$'000*	2014 *HK$'000*
Unlisted investment, at cost:		
— Equity securities	3,900	—

Unlisted equity investment comprise equity interests in an entity which focuses on the satellite technology, dedicated ASIC development and high-tech research and development. There is no open market for this investment and the directors consider that the marketability of the Group's shareholdings in this investment is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of this investment cannot be reliably assessed. The investment is therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale investments are impaired in accordance with the guidelines in HKAS 39 Financial Instruments: Recognition and Measurement. The assessment requires the directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investee, prospect of their operations in short to medium terms, as well as the prospect of the industries the investee operate in, and changes in their operating environment.

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group 2015	2014
	HK$'000	*HK$'000*
Raw materials	1,290	4,927
Work in progress	1,446	13,463
Finished goods	977	3,954
	3,713	22,344

(b) The analysis of the amount of inventories recognised as expense and included in profit or loss is as follows:

	2015	2014
	HK$'000	*HK$'000*
Carrying amount of inventories sold	69,943	46,297
Write down of inventories	9,994	3,655
Reversal of write down of inventories	(3,875)	(1,997)
	76,062	47,975

The reversal of write down of inventories arose due to an increase in the estimated net realisable value of certain products as a result of change in market condition and sales of certain products which had been written down to net realisable value in prior years.

The carrying amount of inventories sold above does not include costs related to Synertone 1 satellite system and provision of safe communication technologies.

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(notes (b), (c) and (d))*	321,014	166,023	—	—
Advance to suppliers	691	626	—	—
Advance to staff	515	1,744	—	—
VAT receivables	61	140	—	—
Loans and receivables	322,281	168,533	—	—
Other deposits and prepayments	23,433	7,034	50	—
	345,714	175,567	50	—

(a) For certain contracts, retention money representing 5% to 10% of the contract is not due until the warranty period expired, which varies from one year to two years. Included in trade receivables as at 31 March 2015 are retention money of HK$294,000 (2014: HK$1,001,000). Also, the amount of the Group's deposits expected to be recovered after more than one year is HK$987,000 (2014: HK$780,000). All of the trade and other receivables, except for the retention money which are expected to be recovered after the warranty period and deposits which is expected to be recovered after more than one year, are expected to be recovered within one year.

(b) For the year ended 31 March 2015, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2014: 30 to 180 days). A longer credit period of 181 to 365 days (2014: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

(c) The following is an analysis of trade receivables by age, presented based on date of delivery:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–60 days	57,222	84,020	—	—
61–90 days	80	724	—	—
91–180 days	49,663	9,866	—	—
181–365 days	213,414	63,180	—	—
Over 365 days	635	8,233	—	—
	321,014	166,023	—	—
Less: Impairment loss on trade receivables	—	—	—	—
	321,014	166,023	—	—

The directors consider the carrying amounts of trade receivables approximate to their fair values.

(d) **Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	105,367	94,609	—	—
Past due but not impaired				
Less than 1 month past due	56,197	55,591	—	—
1 to 3 months past due	20,388	6,822	—	—
More than 3 months but less than 12 months past due	138,427	767	—	—
More than 12 months past due	635	8,234	—	—
	215,647	71,414	—	—
	321,014	166,023	—	—

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. There have been no disputes over the balances due from these debtors, therefore, the directors consider that the balances are fully recoverable. The Group does not hold any collateral over these balances.

22. CASH AND CASH EQUIVALENTS

	The Group 2015	The Group 2014	The Company 2015	The Company 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	54,064	87,753	157	86
Cash and cash equivalents in the statement of financial position and statement of cash flows	54,064	87,753	157	86

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.35% (2014: 0.001% to 2.8%) per annum.

23. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand.

24. TRADE AND OTHER PAYABLES

	The Group 2015	The Group 2014	The Company 2015	The Company 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	23,683	9,530	—	—
Accrued salaries	8,389	2,457	—	—
Accrued expenses and other payables	1,423	5,061	944	757
Payables for acquisition of a subsidiary *(note 33)*	33,000	—	—	—
Financial liabilities measured at amortised cost	66,495	17,048	944	757
Deposits received from customers	3,823	689	—	—
Other tax payables	5,513	3,244	—	—
	75,831	20,981	944	757

The following is an analysis of trade payables by age presented based on the date of receipt:

	The Group 2015	The Group 2014
	HK$'000	*HK$'000*
0–60 days	2,233	3,180
61–90 days	—	32
91–180 days	4,492	1,052
181–365 days	12,587	737
Over 365 days	4,371	4,529
	23,683	9,530

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

25. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	The Group	
	2015	**2014**
	HK$'000	*HK$'000*
Current liabilities		
Portion of borrowings from banks due for repayment within 1 year	44,439	22,874

At 31 March 2015, interest-bearing bank borrowings were due for repayment as follows:

	The Group	
	2015	**2014**
	HK$'000	*HK$'000*
Portion of term loans due for repayment within 1 year	44,439	22,874

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 March 2015, none of the covenants relating to drawn down facilities had been breached (2014: HK$Nil).

All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost.

Notes:

(a) All the Group's bank borrowings are denominated in RMB.

(b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2015	**2014**
Effective interest rates:		
Fixed-rate borrowings	7.12%–7.5%	7.2%
Variable-rate borrowings	6.26%	—

(c) The unsecured bank borrowings were non-revolving facilities.

(d) The bank borrowings were unsecured and guaranteed by a subsidiary of the Company.

(e) At 31 March 2015, the Group have undrawn banking facilities in relation to bank borrowings of RMB10,000,000 (equivalent to approximately HK$12,624,800) (2014: HK$Nil).

26. FINANCE LEASES PAYABLES

At 31 March 2015, the Group had obligation under finance leases repayable as follows:

	The Group			
	2015		2014	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	49,810	54,281	52,655	54,600
After 1 year but within 2 years	61,292	69,790	50,103	54,600
After 2 years but within 5 years	168,533	209,369	177,128	210,600
After 5 years	158,594	195,045	196,446	266,391
	388,419	474,204	423,677	531,191
	438,229	528,485	476,332	586,191
Less: total future interest expenses		(90,256)		(109,859)
Present value of lease obligations		438,229		476,332

27. CONVERTIBLE BONDS PAYABLES

On 8 November 2013, the Company and an independent third party, Regal Force Limited ("Regal Force"), entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and Regal Force has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$500,000,000 at the conversion price of HK$2.00 per conversion share (adjusted to HK$0.4 after issuing of bonus shares on 21 February 2014). The conditions of the subscription agreement were fulfilled and completed on 15 January 2014.

Pursuant to the subscription agreement, the convertible bonds shall issue and subscribe by the parties in tranches in accordance with the written demands by the Company to be made within 2 years after completion date of subscription agreement. On 31 October 2014, the Company had issued a written demand to Regal Force Limited, for a subscription of the convertible bonds in a principal amount of HK$50,000,000 and convertible bonds in the principal amount of HK$50,000,000 was issued on 3 November 2014.

The convertible bonds give the holder the right (the "Conversion Right") to convert all or any part of the outstanding principal amount of the convertible bonds into fully paid ordinary shares of HK$0.01 each in the Company at HK$2.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment for share consolidation, share split or reverse share split, share subdivision or other similar event affecting the number of outstanding conversion shares. The Conversion Price has been adjusted to HK$0.4 after the issue of bonus shares on 21 February 2014.

The holder can exercise the Conversion Right from time to time during the conversion period from the issuance date to the maturity date. The convertible bonds shall mature five years from the date of issue (i.e. 3 November 2018).

The convertible bonds bear interest from the date of issue of the convertible bonds at the rate of 5% per annum on the principal amount of the convertible bonds, payable at the anniversary date annually in arrears.

The movement of the liability component and equity component of the convertible bonds for the year ended 31 March 2015 was set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
As at 1 April 2014	—	—	—
Issued during the year	35,541	14,459	50,000
Effective interest charged during the year	395	—	395
Converted during the year	(35,936)	(14,459)	(50,395)
As at 31 March 2015	—	—	—

The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on the effective interest rate of 13.342% per annum.

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of the shares issued upon conversion will be transferred from the liability component and the equity component of the convertible bonds to the share capital account while the difference will be transferred to the share premium.

On 3 December 2014, convertible bonds in the principal amount of HK$50,000,000 were converted into 125,000,000 ordinary shares of the Company. The conversion price of the convertible bonds has been adjusted from HK$2 to HK$0.4 per share for the effect of the issue of bonus shares on 21 February 2014. Accordingly, HK$1,250,000 was transferred to share capital account while HK$49,145,000 was transferred to share premium.

28. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, interest-free and repayable on demand.

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position and the movement during the year is as follows:

	2015 *HK$'000*	**2014** *HK$'000*
At beginning of the year	21,339	20,214
Provision for the year *(note 8(a))*		
— PRC EIT	29,982	14,970
Over-provision in respect of prior years		
— PRC EIT	—	—
Tax payment for the year		
— Hong Kong Profits Tax	—	—
— PRC EIT	(24,519)	(14,001)
	(24,519)	(14,001)
Effect of foreign currency exchange differences	(13)	156
At end of the year	26,789	21,339

(b) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Fair value adjustment on intangible assets *HK$'000*	**Undistributed profits of subsidiaries** *HK$'000*	**Total** *HK$'000*
Deferred tax arising from:			
At 1 April 2013	—	9,871	9,871
Credited to profit or loss	—	(6,160)	(6,160)
At 31 March 2014	—	3,711	3,711
At 1 April 2014	—	3,711	3,711
Acquired under business combination *(note 33)*	18,412	—	18,412
(Credited)/charged to profit or loss	(921)	948	27
Effect of foreign currency exchange differences	9	—	9
At 31 March 2015	17,500	4,659	22,159

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$50,203,000 (2014: HK$35,651,000) as at 31 March 2015 respectively as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of RMBNil (2014: RMBNil) in PRC which is available for carry forward to set-off future assessable income for a period of five years.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 March 2012 (the "Share Option Scheme") whereby the board of directors or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants, including directors and employees of the Company or any of its subsidiaries, any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries, an option to subscribe for shares of the Company. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company will not exceed 30% of the issued share capital of the Company.

No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approved by the shareholders in a general meeting.

The subscription price for shares under the Share Option Scheme will be a price not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

The share options granted on 24 December 2013 may be exercised in accordance with the following terms of the Scheme as to:

— up to the maximum of one-third of the share options exercisable commencing on 24 December 2015 to 23 December 2016, with vesting period from 24 December 2013 to 23 December 2015, the fair value of each option at the date of grant is approximately HK$0.2605 ("Lot 1");

— up to a maximum of one-third of the share options exercisable commencing on 24 December 2016 to 23 December 2017, with vesting period from 24 December 2013 to 23 December 2016, the fair value of each option at the date of grant is approximately HK$0.2778 ("Lot 2");

— all the remaining share options that have not been exercised (including those which have not been exercised as mentioned in (i) and (ii) above) exercisable commencing on 24 December 2017 to 23 December 2018, with vesting period from 24 December 2013 to 23 December 2017, the fair value of each option at the date of grant is approximately HK$0.3058 ("Lot 3").

(a) The terms and conditions of the grants that existed as at 31 March 2015 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	**Exercise price** *(note i)*	**Contractual life of options**
Options granted to directors:			
— on 24 December 2013	96,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	311,350,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.50	5 years
	527,350,000		

The terms and conditions of the grants that existed as at 31 March 2014 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	**Exercise price** *(note i)*	**Contractual life of options**
Options granted to directors:			
— on 24 December 2013	102,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	378,000,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.50	5 years
	600,000,000		

(b) The number and the weighted average exercise prices of share options are as follows:

	2015 Weighted average exercise price	**2015** Number of shares issuable under options granted	**2014** Weighted average exercise price	**2014** Number of shares issuable under options granted *(note i)*
Outstanding at the beginning of the year	HK$0.50	600,000,000		—
Granted during the year		—	HK$0.50	600,000,000
Forfeited during the year *(note ii)*	HK$0.50	(72,650,000)		—
Outstanding at the end of the year	HK$0.50	527,350,000	HK$0.50	600,000,000
Exercisable at the end of the year		—		—

Notes:

(i) The exercise price and number of shares issuable under option granted has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

(ii) During the year ended 31 March 2015, 72,650,000 share options were forfeited prior to the vesting period relevant share options due to the resignation of directors and employees (2014: Nil). The impact of the revision of the estimates during the vesting period was recognised on the profit or loss, with a corresponding adjustment to the share-based compensation reserve.

(iii) During the year ended 31 March 2014, 60,000,000 share options granted to Mr. Zhang Xuebin were reclassified from the category of "Employees" to "Directors" upon his appointment as non-executive director of the Company on 6 March 2014.

As at 31 March 2015, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 527,350,000, representing approximately 8% of the shares of the Company in issue at the year end date.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

No share option was exercised during the years ended 31 March 2015 and 2014.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

	Lot 1	**Lot 2**	**Lot 3**
Fair value of share options and assumptions	HK$0.26	HK$0.28	HK$0.31
Share price *(note)*	HK$0.50	HK$0.50	HK$0.50
Exercise price *(note)*	HK$0.50	HK$0.50	HK$0.50
Contractual life	5 years	5 years	5 years
Expected volatility (expected as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	31.510%	31.878%	33.069%
Expected option period (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	3.500 years	4.001 years	4.501 years
Expected dividends	5.882%	5.882%	5.882%
Risk-free rate (based on yields of Hong Kong government bonds and treasury bills)	0.835%	1.027%	1.204%

Note: The share price and the exercise price has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

The expected volatility is based on the historical volatilities of the comparable companies of the Company, over the expected option period. Expected dividend yield are based on historical dividend payout of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options granted to other participants are measured at fair values of options granted as these other participants are providing services that are similar to those rendered by employees.

31. CAPITAL AND RESERVES

(a) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Attributable to owners of the Company							
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve (note 31(c)(vi) HK$'000	Convertible bonds reserves HK$'000	Warrants reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2013		12,000	106,758	—	71,349	—	—	28,083	218,190
Comprehensive income									
Profit for the year		—	—	—	—	—	—	10,378	10,378
Total comprehensive income for the year		—	—	—	—	—	—	10,378	10,378
Transactions with owners									
Equity-settled share-based payments		—	—	2,308	—	—	—	—	2,308
Issue of shares upon acquisition of assets	*19*	640	156,800	—	—	—	—	—	157,440
Issue of warrants	*31(c)(vi)*	—	—	—	—	—	1,200	—	1,200
Issue of bonus shares	*31(b)(iii)*	50,560	—	—	—	—	—	(50,560)	—
Final dividend in respect of the previous year	*12(b)*	—	—	—	—	—	—	(36,000)	(36,000)
At 31 March 2014		63,200	263,558	2,308	71,349	—	1,200	(48,099)	353,516
At 1 April 2014		63,200	263,558	2,308	71,349	—	1,200	(48,099)	353,516
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(353)	(353)
Total comprehensive income for the year		—	—	—	—	—	—	(353)	(353)
Transactions with owners									
Equity-settled share-based payments		—	—	8,128	—	—	—	—	8,128
Issue of warrants		—	—	—	—	—	6,600	—	6,600
Issue of convertible bonds	*31(b)(ii)*	—	—	—	—	14,459	—	—	14,459
Share issued upon conversion of convertible bonds	*31(b)(ii)*	1,250	49,145	—	—	(14,459)	—	—	35,936
Final dividend in respect of the previous year	*12(b)*	—	—	—	—	—	—	(10,112)	(10,112)
At 31 March 2015		64,450	312,703	10,436	71,349	—	7,800	(58,564)	408,174

(b) Share capital

	2015		2014	
	No. of shares	**Amount**	**No. of shares**	**Amount**
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	20,000,000	200,000	2,000,000	20,000
Shares issued *(note 32(b)(i))*	—	—	18,000,000	180,000
At end of the year	20,000,000	200,000	20,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	6,320,000	63,200	1,200,000	12,000
Issue of shares upon acquisition of assets *(note 31(b)(iv))*	—	—	64,000	640
Issue of bonus shares *(note 31(b)(iii))*	—	—	5,056,000	50,560
Issue of shares upon conversion of convertible bonds *(note 31(b)(ii))*	125,000	1,250	—	—
At end of the year	6,445,000	64,450	6,320,000	63,200

Notes:

(i) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 21 February 2014, the Company's authorised share capital was increased from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by creation of 18,000,000,000 new shares.

(ii) During the year ended 31 March 2015, the Company issued convertible bonds in an aggregate principal amount of HK$50,000,000 (note 27). During the period, convertible notes of the principal amount of HK$50,000,000 were converted into 125,000,000 ordinary shares of the Company.

(iii) During the year ended 31 March 2014, the Company issued bonus shares on the basis of four bonus share for every one existing share. The bonus issue was created as fully paid at par by way of the capitalisation of an amount in the retained profits account of the Company.

(iv) During the year ended 31 March 2014, the Company issued 64,000,000 shares upon completion of acquisition of rights to use Synertone 1 satellite bandwidth (note 16).

The owners of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of Synertone Group acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iii) Statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of the entity's registered capital.

The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners.

The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in the event of liquidation.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(v) Merger reserve

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of Synertone Group and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

(vi) Warrants reserve

On 30 September 2013, the Company entered into the subscription agreement with CITIC Merchant Co., Limited ("CITIC Merchant") pursuant to which the Company has agreed to issue and CITIC Merchant has agreed to subscribe for 120,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period of two years commencing from the date of issue of the warrant. The subscription was completed on 22 October 2013 and an aggregate of 120,000,000 warrants have been issued.

On 28 August 2014, the Company and an independent third party, CITIC Capital Management Limited ("CITIC Management"), entered into a subscription agreement pursuant to which the Company has agreed to issue and CITIC Management has agreed to subscribe for 660,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period at any time during the exercise period of five years commencing from the date of issue of the warrant. The subscription was completed on 22 September 2014 and an aggregate of 660,000,000 warrants have been issued.

(vii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r).

(viii) Convertible bonds reserve

The convertible bonds reserve comprises the value of the equity component of unexercised convertible notes issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(m).

(d) Distributability of reserves

As at 31 March 2015, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$254,139,000 (2014: HK$215,459,000).

After the end of the reporting period, the directors proposed a final dividend of HKNil per share (2014: HK0.16 cents per share) amounting to HK$Nil (2014: HK$10,112,000). This dividend has not been recognised of a liability at the end of the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

Consistent with industry practice, the Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the Group's bank borrowings less cash and cash equivalents.

As at 31 March 2015, the Group has outstanding bank borrowings of HK$44,439,000 (2014: HK$22,874,000).

The Group's capital structure is as follows:

	The Group	
	2015	**2014**
	HK$'000	*HK$'000*
Total equity	521,271	433,222

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Trade and other receivables	345,714	175,567	50	—
Cash and cash equivalents	54,064	87,753	157	86
Available-for-sale investments	3,900	—	—	—
Loans and receivables	403,678	263,320	207	86
Financial liabilities				
Trade and other payables	75,831	20,981	944	757
Bank borrowings	44,439	22,874	—	—
Finance lease payables	438,229	476,332	—	—
Amount due to a director	1	239	1	1
Financial liabilities at amortised costs	558,500	520,426	945	758

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's credit risk is primarily attributable to trade and other receivables. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each major customer periodically. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. The Group and the Company do not require collateral from its customers. Debts are usually due within 30 to 180 days from the date of billing.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2015, the Group has a certain concentration of credit risk as 42% (2014: 43%) of the total loans and receivables were due from the Groups' largest customer respectively and 99% (2014: 96%) of the total loans and receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's and the Company's exposure to credit risk arising from trade and other receivables are set out in note 21.

(iii) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts with respect to credit risk arising from amounts due from subsidiaries, the Company's exposure to credit risk arising from default of the counterparties is limited as the Company monitors the operating results and cash flows of the counterparties and the Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(iv) In respect of amounts due from subsidiaries, the Company has concentration of credit risk as 55% (2014: 61%) of the amounts due from subsidiaries are owed from a subsidiary.

(v) Cash is deposited with financial institutions with sound credit ratings that are located where the Group and the Company operate and the Group and the Company have exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent Company's board approval. The Group's policy is to regularly monitor current and expected parent Company's liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2015						
Trade payables	23,683	—	—	—	23,683	23,683
Accrued salaries	8,389	—	—	—	8,389	8,389
Accrued expenses and other payables	1,423	—	—	—	1,423	1,423
Payable for acquisition of a subsidiary	33,000	—	—	—	33,000	33,000
Amount due to a director	1	—	—	—	1	1
Bank borrowings	45,085	—	—	—	45,085	44,439
Finance lease payables	54,281	68,790	209,369	186,106	518,546	438,229
	165,862	68,790	209,369	186,106	630,127	549,164

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2014						
Trade payables	9,530	—	—	—	9,530	9,530
Accrued salaries	2,406	51	—	—	2,457	2,457
Accrued expenses and other payables	5,061	—	—	—	5,061	5,061
Amount due to a director	239	—	—	—	239	239
Bank borrowings	22,874	—	—	—	22,874	22,874
Finance lease payables	54,600	54,600	210,600	266,391	586,191	476,332
	94,710	54,651	210,600	266,391	626,352	516,493

The Company

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2015						
Accrued expenses and other payables	944	—	—	—	944	944
Amount due to a director	1	—	—	—	1	1
Amount due to a subsidiary	732	—	—	—	732	732
	1,677	—	—	—	1,677	1,677

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2014						
Accrued expenses and other payables	757	—	—	—	757	757
Amount due to a director	1	—	—	—	1	1
Amount due to a subsidiary	732	—	—	—	732	732
	1,490	—	—	—	1,490	1,490

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement if that amount is claimed by the counterparty to the guarantee.

Bank borrowings of the Group with the repayment on demand clause are included in the "within 1 year or on demand" time band in the above analysis. As at 31 March 2015 and 31 March 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$45,085,000 and HK$22,874,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates as set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$23,899,000.

The Group's interest rate risk arises primarily from the borrowings and bank deposits. The Company's interest rate risk arises primarily from its bank deposits.

The Group's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from the Group's bank deposits and borrowings.

(c) Interest rate risk

(i) Interest rate profile

The Company's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from bank deposits.

The following table details the interest rate profile of the Group's bank deposits and borrowings at the end of the reporting period:

The Group

	2015		**2014**	
	Range of interest rates	*HK$'000*	**Range of interest rates**	*HK$'000*
Fixed rate bank borrowings:				
Bank borrowings	7.12%–7.5%	31,814	7.2%	22,874
Finance lease payables	4.486%	438,229	4.486%	476,332
		470,044		499,206
Variable rate bank deposits:				
Cash at bank	0.001%–0.35%	53,363	0.001%–1.15%	87,581
Variable rate bank borrowings:				
Short term bank borrowings	6.26%	12,625	—	—

The Company

	2015		**2014**	
	Effective interest rate	*HK$'000*	**Effective interest rate**	*HK$'000*
Variable rate bank deposits:				
Cash at bank	0.001%–0.35%	157	0.001%–0.01%	86

(ii) Sensitivity analysis

All of the borrowings and deposits with banks of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 March 2015, it is estimated that a general increase/decrease of 100 basis points (2014: 100 basis points) in interest rates for variable rate bank deposits and with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$316,000 (2014: HK$731,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The Company's sensitivity to interest rates was not significant and therefore is not presented at 31 March 2015 and 2014. No sensitivity analysis is presented by the Company as the exposure is considered insignificant.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

The 100 basis points (2014: 100 basis points) increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates over the period until the end of the reasonably possible changes in interest rates. The analysis is performed on the same basis for 2014.

(d) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Renminbi and Euro.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure to foreign currencies (expressed in HK$'000)				
	2015			2014	
	United States Dollars	Renminbi	Euro	United States Dollars	Euro
Trade and other receivables	88	131,264	—	49,347	—
Cash and cash equivalents	198	5,655	4	353	26
Trade and other payables	(5,172)	—	—	(1,170)	—
Net exposure arising from recognised assets and liabilities	(4,886)	136,919	4	(48,530)	26

The Company

	Exposure to foreign currencies (expressed in HK$'000)	
	2015	2014
	United States Dollars	United States Dollars
Cash and cash equivalents	12	12
Gross exposure arising from recognised assets	12	12

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if exchange rates to which the Group and the Company has significant exposure at the end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on the company's profit after taxation and equity measured in its functional currency, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The Group

	2015		**2014**	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after taxation and retained profits**
		HK$'000		*HK$'000*
Renminbi	5%	5,716	5%	—
	(5%)	(5,716)	(5%)	—
Euro	5%	1	5%	1
	(5%)	(1)	(5%)	(1)

Results of the analysis is presented in the above table represent an aggregate of the instantaneous effects on each of the group entities' profit after taxation and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the expose during the year.

(e) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2015 and 2014.

33. BUSINESS COMBINATION

On 30 September 2014, the Group acquired 100% equity interests of Thrive United Holdings Limited ("Thrive United") and its subsidiaries. At completion date, an aggregate consideration of HK$90,000,000 was paid by the Group.

Thrive United and its subsidiaries, Longching Technology Limited and 朗晴通科技(深圳)有限公司 (collectively referred to as the "Thrive United Group") are mainly engaged in the design, development and sale of security systems for use in the internet and mobile phones using Android operating system.

Following the acquisition of Synertone 1 satellite bandwidth during the year ended 31 March 2013, the Group had started to construct its own satellite communication network to provide broadband, telephone and broadcasting services. Network security is an important aspect in the provision of such services. The acquisition allows the Group to provide a safe communication environment for end users.

As for the Group's existing trunking business, the acquisition shall allow the Group to make use of the intellectual properties, know-how and research and development capabilities of the Thrive United Group to develop new generation digital trunking products with higher level of security capabilities.

Included in the profit for the year is approximately HK$336,000 attributable to Thrive United Group. Thrive United Group did not contribute any revenue to the Group during the year.

Had the business combination been effected on 1 April 2014, profit for the year would have been approximately HK$34,495,000. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment *(note 15)*	13
Intangible assets *(note 16)*	73,736
Cash and cash equivalents	147
Other payables	(282)
Deferred tax liabilities *(note 29(b))*	(18,412)
Total identifiable net assets at fair value	55,202
Goodwill arising on acquisition *(note 17)*	34,798
Consideration, satisfied in cash	90,000
Less: Other payables *(note 24)*	(33,000)
Cash and cash equivalent balances acquired	(147)
Net cash outflow	56,853

Acquisition-related costs amounting to HK$150,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'other operating expenses' line item in the consolidated statement of profit or loss.

The goodwill of approximately HK$34,798,000 arising from the acquisition is attributable to the anticipated cash flows from the provision of a safe communication environment for end users and the future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

34. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2015 not provided for in the consolidated financial statements were as follows:

	2015	2014
	HK$'000	*HK$'000*
Contracted but not provided for		
Renovation of new office	1,815	1,813
	1,815	1,813

The Company has no significant capital commitments as at 31 March 2015 and 2014.

(b) As at 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	5,363	4,540
In the second to fifth year inclusive	11,014	15,634
Over five years	4,094	8,014
	20,471	28,188

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases and rentals are negotiated and fixed for an average of 2 to 10 years. None of the leases includes contingent rentals.

The Company has no significant operating lease commitments as at 31 March 2015 and 2014.

35. MATERIAL RELATED PARTY TRANSACTIONS

The Group and the Company have entered into the following material related party transactions.

(a) Balances with related parties

At the end of each reporting period, the Group and the Company had the following balances with related parties:

(i) Amount due to a director

The Group

	2015	2014
	HK$'000	*HK$'000*
Wong Chit On	1	239

The amount was unsecured, interest-free and repayable on demand.

(ii) Amount due from/(to) subsidiaries

The amounts were unsecured, interest-free and repayable on demand.

(b) Transactions with key management personnel

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

	2015	2014
	HK$'000	*HK$'000*
Short-term employee benefits	14,180	11,315
Equity-settled share-based payments	4,010	987
Post-employment benefit	193	145
	18,383	12,447

Total emoluments is included in "Staff Costs" (see note 7(b)).

36. EVENTS AFTER THE REPORTING PERIOD

On 30 June 2015, Vastsuccess Holdings Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. John Edward Hunt, an independent third party (the "Vendor"), entered into the conditional sale and purchase agreement ("S&P Agreement") for the acquisition by the Purchaser of 100% equity interest in MOX Products Pty Limited ("MOX"), an automation control services company that serves various industries in the PRC, for a consideration of HK$302 million, which will be satisfied by the allotment and issue of 604,000,000 shares ("Consideration Share") at the issue price of HK$0.50 per Consideration Share upon completion of the sale and purchase of the entire issued share capital of MOX.

37. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2015, the directors consider the immediate parent and ultimate controlling company of the Group to be Excel Time Investments Limited ("Excel Time"), which is incorporated in the BVI with limited liability. The ultimate controlling party is Mr. Wong Chit On. Excel Time does not produce financial statements available for public use.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2015

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39. COMPARATIVE FIGURES

Certain comparative amounts in the consolidated statement of profit or loss have been reclassified which would result in a more appropriate presentation of events or circumstances. Accordingly, comparative amounts have been reclassified to conform to current year's presentation.

3. UNAUDITED FINANCIAL INFORMATION

The following is the unaudited financial statements of the Group extracted from the interim report of the Company for the six months ended 30 September 2015:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		For the six months ended 30 September	
		2015	**2014**
	Note	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*5*	37,107	227,010
Cost of sales		(43,779)	(75,277)
Gross profit		(6,672)	151,733
Other revenue	*6*	6,229	25,878
Selling and distribution expenses		(2,562)	(6,203)
Administrative expenses		(29,736)	(26,345)
Research and development expenditure	*7(b)*	(10,002)	(8,830)
(Loss)/profit from operations		(42,743)	136,233
Finance costs	*7(a)*	(11,127)	(12,283)
(Loss)/profit before taxation	*7*	(53,870)	123,950
Income tax	*8*	940	(23,109)
(Loss)/profit for the period attributable to owners of the Company		(52,930)	100,841
		HK(cents)	*HK(cents)*
(Loss)/earnings per share	*10*		
— Basic		(0.79)	1.60
— Diluted		(0.79)	1.55

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(52,930)	100,841
Other comprehensive (loss)/income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	(9,900)	412
Total comprehensive (loss)/income for the period attributable to owners of the Company	(62,830)	101,253

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Note	As at 30 September 2015 HK$'000 (Unaudited)	As at 31 March 2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	66,200	71,904
Intangible assets	12	560,657	614,610
Goodwill	13	241,882	34,814
Available-for-sale investments	14	3,900	3,900
		872,639	725,228
Current assets			
Inventories		12,026	3,713
Trade and other receivables	15	353,358	345,714
Cash and cash equivalents		10,695	54,064
		376,079	403,491
Current liabilities			
Bank borrowings	16	37,281	44,439
Trade and other payables	17	116,694	75,831
Finance lease payables	18	105,526	49,810
Amount due to a director		1	1
Current taxation		11,728	26,789
		(271,230)	(196,870)

	Note	As at 30 September 2015 HK$'000 (Unaudited)	As at 31 March 2015 HK$'000 (Audited)
Net current assets		104,849	206,621
Total assets less current liabilities		977,488	931,849
Non-current liabilities			
Finance lease payables	*18*	326,870	388,419
Deferred tax liabilities		19,949	22,159
		(346,819)	(410,578)
Net assets		630,669	521,271
Capital and reserves			
Share capital	*19*	70,490	64,450
Reserves		560,179	456,821
Total equity attributable to owners of the Company		630,669	521,271

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

		Attributable to owners of the Company								
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2015		64,450	312,703	10,436	7,800	(90)	32,184	24,759	69,029	521,271
Comprehensive income										
Loss for the period		—	—	—	—	—	—	—	(52,930)	(52,930)
Other comprehensive income										
Exchange differences arising on translation of financial statements of PRC subsidiaries		—	—	—	—	—	—	(9,900)	—	(9,900)
Total comprehensive income for the period		—	—	—	—	—	—	(9,900)	(52,930)	(62,830)
Transaction with owners										
Equity-settled share-based payments		—	—	4,064	—	—	—	—	—	4,064
Issue of shares upon acquisition of assets		6,040	162,154	—	—	—	—	—	—	168,194
Issue of warrants		—	—	—	—	—	—	—	—	—
Dividend paid	9(b)	—	—	—	—	—	—	—	—	—
Total transactions with owners		6,040	162,154	4,064	—	—	—	—	—	172,258
At 30 September 2015		70,490	474,857	14,500	7,800	(90)	32,184	14,859	17,706	630,669
At 1 April 2014		63,200	263,558	2,308	1,200	(90)	28,467	25,460	49,119	433,222
Comprehensive income										
Profit for the period		—	—	—	—	—	—	—	100,841	100,841
Other comprehensive income										
Exchange differences arising on translation of financial statements of PRC subsidiaries		—	—	—	—	—	—	412	—	412
Total comprehensive income for the period		—	—	—	—	—	—	412	100,841	101,253
Transaction with owners										
Equity-settled share-based payments		—	—	4,293	—	—	—	—	—	4,293
Issue of warrants		—	—	—	6,600	—	—	—	—	6,600
Dividend paid	9(b)	—	—	—	—	—	—	—	(10,112)	(10,112)
Total transactions with owners		—	—	4,293	6,600	—	—	—	(10,112)	781
At 30 September 2014		63,200	263,558	6,601	7,800	(90)	28,467	25,872	139,848	535,256

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(37,298)	1,824
Net cash used in investing activities	(2,690)	(7,504)
Net cash (used in)/generated from financing activities	(3,070)	(11,776)
Net (decrease)/increase in cash and cash equivalents for the period	(43,058)	(17,456)
Cash and cash equivalents at beginning of the period	54,064	87,753
Effect of changes in foreign exchange rate	(311)	39
Cash and cash equivalents at end of the period	10,695	70,336

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2015

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, the People's Republic of China (the "PRC") respectively.

On 18 April 2012, the shares of the Company ("Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication service application.

The principal operations of the Group are conducted in the PRC. Consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. The directors consider that presenting consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to its immediate parent and ultimate holding company whose functional currency is HK$.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 ("Interim Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Statements have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2015, except for the new and revised standards, amendments and interpretations of HKFRSs ("new and revised HKFRSs") issued by HKICPA which have become effective in this period as detailed in notes to the 2014/15 Financial Statements. The directors of the Company believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these Interim Financial Statements.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. On adopting HKFRS 8, Operating Segments, and in a manner consistent with the way in which information is reported internally to the chief executive officer of the Company (the "Chief Executive Officer"), who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments:

Digital trunking system: To meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, we design digital trunking system, mainly consisting of CITONE digital trunking radio communication system, WITONE digital trunking radio communication system and DITONE digital trunking radio communication system. Based on the specifications of customers, the Group offers a range of core components for digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network. Different modes of digital trunking system can be set up and operated with various combinations of components addressing particular needs of users.

VSAT satellite system: VSAT satellite system is a component of the specialised communication system. VSAT satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of VSAT satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

Systems technologies: This segment develops a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) pay a licensing fees to the Group for the use of certain technical know-how and technology; and (b) pay commissions to the Group for conducting research and development as well as designing and developing particular technical know-how to meet their specifications and requirements and needs.

Synertone 1 satellite system: This segment represents provision of satellite bandwidth capacity and communication service application.

Others: The Group classifies other business activities to "Others", in which the Group offers accessory parts and components to the customers for use in specialised communication system industry or other industry in accordance with their specifications.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the Chief Executive Officer monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments, bank borrowings and finance lease payables managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is adjusted earnings before interest and taxes ("Adjusted EBIT"). To arrive at the Adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

In addition to segment information concerning Adjusted EBIT, management is also provided with segment information concerning revenue (including inter-segment sales), interest income, value-added taxes refund, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, research and development expenditure, income tax and additions to non-current segment assets used by the segments in their operations.

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	For the six months ended 30 September											
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	23,421	76,777	196	8,159	—	—	8,413	139,669	5,077	2,405	37,107	227,010
Inter-segment revenue	—	—	—	—	—	—	—	—	—	—	—	—
Reportable segment revenue	23,421	76,777	196	8,159	—	—	8,413	139,669	5,077	2,405	37,107	227,010
Reportable segment profit/(loss) (Adjusted EBIT)	(12,998)	24,285	(271)	(2,445)	—	—	(28,450)	95,793	1,684	223	(40,035)	117,856
Interest income	42	588	—	63	—	—	—	—	—	—	42	651
Finance costs	(1,423)	(1,759)	(12)	(187)	—	—	(9,692)	(10,337)	—	—	(11,127)	(12,283)
Amortisation of intangible assets	(3,675)	(1,415)	(538)	(538)	—	—	(33,706)	(33,706)	—	—	(37,919)	(35,659)
Depreciation of property, plant and equipment	(4,395)	(2,037)	(250)	(216)	—	—	—	—	—	—	(4,645)	(2,253)
Write down of obsolescent inventories	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of write down of inventories	—	2,562	—	—	—	—	—	—	—	—	—	2,562
Research and development expenditure	6,957	4,306	3,045	4,524	—	—	—	—	—	—	10,002	8,830
Income tax	1,102	(9,142)	—	—	—	—	(162)	(13,967)	—	—	940	(23,109)

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	381,593	371,252	1,411	18,035	—	54,191	840,040	681,088	21,659	—	1,244,703	1,124,566
Additions to non-current segment assets												
— Property, plant and equipment	2,483	5,147	—	—	—	—	—	—	430	404	2,913	5,551
— Intangible assets	—	73,736	—	—	—	—	—	—	—	—	—	73,736
	2,483	78,883	—	—	—	—	—	—	430	404	2,913	79,287
Reportable segment liabilities	87,821	85,015	—	9,369	—	14,347	469,222	464,626	60,721	—	617,764	573,357

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	For the six months ended 30 September 2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	37,107	227,010
Elimination of inter-segment revenue	—	—
Consolidated revenue	37,107	227,010
(Loss)/profit		
Reportable segment (loss)/profit	(40,035)	117,856
Elimination of inter-segment profit	—	—
Reportable segment (loss)/profit derived from the Group's external customers	(40,035)	117,856
Gain on purchase	—	19,760
Interest income	42	651
Finance costs	(11,127)	(12,283)
Unallocated corporate expenses	(2,750)	(2,034)
Consolidated (loss)/profit before taxation	(53,870)	123,950

	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Assets		
Reportable segment assets	1,244,703	1,124,566
Elimination of inter-segment receivables	—	—
	1,244,703	1,124,566
Available-for-sale investments	3,900	3,900
Unallocated corporate assets	116	253
Consolidated total assets	1,248,719	1,128,719
Liabilities		
Reportable segment liabilities	617,764	573,357
Elimination of inter-segment payables	—	—
	617,764	573,357
Amount due to a director	1	1
Unallocated corporate liabilities	284	34,090
Consolidated total liabilities	618,049	607,448

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue from external customers For the six months ended 30 September		Non-current assets	
	2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Hong Kong	—	—	1,383	1,638
PRC	37,107	227,010	867,356	719,690
	37,107	227,010	868,739	721,328

(d) Information about products and services

The Group's revenue from external customers for each principal type of products was set out in note 5.

5. TURNOVER

The principal activities of the Group are (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, VSAT satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application.

Turnover represents the sales value (net of value-added and business taxes) of goods supplied to customers, less any goods returns and trade discounts. The amount of each significant category of revenue recognised during the period is as follows:

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Digital trunking system	23,421	76,777
VSAT satellite system	196	8,159
Synertone 1 satellite system	8,413	139,669
Others	5,077	2,405
	37,107	227,010

6. OTHER REVENUE

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income *(note a)*	44	651
Government grants *(note b)*	1,088	1,640
Value-added taxes refund *(note c)*	4,922	3,779
Gain on purchase	—	19,760
Sundry income	175	48
	6,229	25,878

Notes:

(a) Bank interest income from bank deposits represents the total interest income on financial assets not at fair value through profit or loss.

(b) These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

(c) Value-added taxes refund is recognised upon receipt of refund notice from the PRC tax authorities.

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on other borrowings wholly repayable within five years	1,435	1,946
Finance charges on finance lease payables	9,692	10,337
	11,127	12,283

(b) Other items

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	7,280	41,457
Amortisation of intangible assets	37,919	35,659
Depreciation of property, plant and equipment	4,645	2,253
Operating lease charges in respect of leased property	2,817	2,599
Research and development expenditure	10,002	8,830

8. INCOME TAX

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (d))*	1,270	24,998
Deferred tax		
Origination and reversal of temporary differences	(2,210)	(1,889)
	(940)	23,109

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

(b) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(c) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the period.

(d) PRC subsidiaries are subject to PRC EIT at the rate of 25%. The PRC subsidiary of the Group, 協同通信技術有限公司 (Synertone Communication Technology Limited), being the encouraged hi-tech enterprise, is entitled to a preferential EIT rate of 15%.

(e) Under the EIT Law of the PRC, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double taxation arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

9. DIVIDENDS

(a) During the six months ended 30 September 2015, no interim dividend was declared by the directors (2014: HK$Nil).

(b) Dividend payable to owners of the Company is that approved and paid during the interim period in respect of the previous financial year.

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of HK$Nil per ordinary Share (2014: HK0.16 cents)	—	10,112

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per Share

The calculation of basic (loss)/earnings per Share is based on the loss attributable to owners of the Company of HK$52,930,000 (2014: profit of HK$100,841,000) and the weighted average number of 6,692,541,000 ordinary Shares (2014: 6,320,000,000 ordinary Shares) in issue during the period.

(b) Diluted (loss)/earnings per Share

	For the six months ended 30 September 2015	2014
(Loss)/profit attributable to owners of the Company *(HK$'000)*	(52,930)	100,841
Weighted average number of ordinary Shares in issue *('000)*	6,692,541	6,320,000
Adjustment for share options *('000)*	—	10,136
Adjustment for warrants *('000)*	—	171,640
Weighted average number of ordinary Shares for diluted (loss)/ earnings per Share *('000)*	6,692,541	6,501,776
Diluted (loss)/earnings per Share *(HK cents per Share)*	(0.79)	1.55

For the six months ended 30 September 2015, the calculation of diluted earnings per Share did not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of such share options and warrants were higher than the average market price per Share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group spent approximately HK$2,913,000 (2014: HK$5,551,000) on additions to property, plant and equipment.

12. INTANGIBLE ASSETS

Intangible assets of the Group are as follows:

	30 September 2015 *HK$'000* (Unaudited)	31 March 2015 *HK$'000* (Audited)
Technical know-how for digital trunking system *(Note a)*	3,102	3,545
Administrative system costs	—	252
Rights to use Synertone 1 satellite bandwidth *(Note b)*	491,147	540,731
Safe communication technologies softwares and patent technologies *(Note c)*	66,408	70,082
	560,657	614,610

Notes:

(a) Technical know-how for digital trunking system represents technical know-how acquired by the Group in relation to the production of specialised communication systems.

(b) It represents the possession of the resources of Synertone 1 for the provision of the application of the satellite bandwidth capacity and communication service application.

(c) Safe communication technology softwares and patents represent the softwares and patent technologies in relation to the provision of a safe communication environment for end users.

The amortisation charge for the period is included in cost of sales, research and development expenditure and administrative expenses in the condensed consolidated statement of profit or loss.

13. GOODWILL

On 30 September 2015, the carrying amount of goodwill of the Company was HK$241,882,000. Since the acquisition of MOX Products Pty Limited ("MOX") was conducted within half of a year, taking into consideration the growth in customer base and foreseeable income and further development of the market, the relevant intangible assets will not be recognized temporarily. The provisional goodwill of HK$207,068,000 so derived may be subject to adjustments after the end of the initial accounting year.

For the purpose of impairment tests, goodwill arising from the acquisition was allocated to the cash-generating units ("CGU") under the segments of "Provision of safe communication technologies" and "Synertone 1 satellite system". For the six months ended 30 September 2015, the management of the Group determined that the CGU containing the provisional goodwill was not impaired.

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2015	**31 March 2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted investment, at cost:		
— Equity securities	3,900	3,900
	3,900	3,900

Unlisted equity investment comprises equity interests in an entity which focuses on the satellite technology, dedicated ASIC development and high-tech research and development. There is no open market for this investment and the directors consider that the marketability of the Group's shareholdings in this investment is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of this investment cannot be reliably assessed.

15. TRADE AND OTHER RECEIVABLES

	30 September 2015	**31 March 2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(notes (a), (b) and (c))*	189,306	321,014
Advance to suppliers	24,382	691
Advance to staff	228	515
Value-added taxes receivables	—	61
Loans and receivables	213,916	322,281
Other prepayments and deposits	139,442	23,433
	353,358	345,714

Notes:

(a) For certain contracts, retention money representing 5% to 10% of the contract value is not due until the warranty period ranging from one year to two years expires. Included in trade receivables as at 30 September 2015 is the retention money of HK$284,000 (31 March 2015: HK$1,001,000). All the trade and other receivables other than the retention money are expected to be recovered after the warranty period, except for other prepayments and deposits which are expected to be recovered within one year.

(b) For the six months ended 30 September 2015, purchases of the Group's products by its customers are in general made on credit with credit period ranging from 30 to 180 days (31 March 2015: 30 to 180 days). A longer credit period of 181 to 365 days (31 March 2015: 181 to 365 days) may be offered to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

(c) The ageing analysis of trade receivables based on date of delivery is as follows:

	30 September 2015	**31 March 2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–60 days	21,874	57,222
61–90 days	1,214	80
91–180 days	68,881	49,663
181–365 days	94,724	213,414
Over 365 days	2,613	635
	189,306	321,014

The Directors consider that the carrying amount of trade receivables approximates their fair values.

16. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	30 September 2015	**31 March 2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current liabilities		
Portion of bank borrowings repayable within 1 year	37,281	44,439

As at 30 September 2015, interest-bearing bank borrowings due for repayment were as follows:

	30 September 2015	**31 March 2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Portion of term loans repayable within 1 year	37,281	44,439

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, the Group's bank loan agreements contain clauses which give the lender the right to demand at its sole discretion immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, keeps track of the scheduled repayments of the term loans and considers that the bank is unlikely to exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 September 2015, none of the covenants relating to drawn down facilities had been breached (31 March 2015: HK$Nil).

All the bank borrowings, including amounts repayable on demand, are carried at amortised cost.

Notes:

(a) All the Group's bank borrowings are denominated in RMB.

(b) All bank borrowings are fixed-rate borrowings which carry interest at prevailing interest rates of 6.375%–7.28% per annum for the period ended 30 September 2015.

(c) The unsecured bank borrowings are non-revolving facilities.

(d) The Group has undrawn banking facilities of RMB10,000,000 (equivalent to approximately HK$12,183,000) in relation to bank borrowings as at 30 September 2015.

17. TRADE AND OTHER PAYABLES

	30 September 2015 *HK$'000* (Unaudited)	**31 March 2015** *HK$'000* (Audited)
Trade payables	68,881	23,683
Accrued salaries	1,449	8,389
Accrued expenses and other payables	10,485	1,423
Payable for acquisition of a subsidiary	27,000	33,000
Financial liabilities measured at amortised costs	107,815	66,495
Deposits received from customers	3,045	3,823
Other tax payables	5,834	5,513
	116,694	75,831

The ageing analysis of trade payables based on date of receipt of goods is as follows:

	30 September 2015 *HK$'000* (Unaudited)	**31 March 2015** *HK$'000* (Audited)
0–60 days	1,069	2,233
61–90 days	448	—
91–180 days	55,404	4,492
181–365 days	5,279	12,587
Over 365 days	6,681	4,371
	68,881	23,683

18. FINANCE LEASE PAYABLES

As at 30 September 2015, the Group had finance leases repayable as follows:

	30 September 2015		31 March 2015	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Within 1 year	105,526	124,000	49,810	54,281
After 1 year but within 2 years	61,257	69,750	61,292	69,790
After 2 years but within 5 years	168,436	209,250	168,533	209,369
After 5 years	97,177	116,250	158,594	195,045
	326,870	395,250	388,419	474,204
	432,396	519,250	438,229	528,485
Less: total future interest expenses		(86,854)		(90,256)
Present value of lease obligations		432,396		438,229

19. SHARE CAPITAL

	30 September 2015		31 March 2015	
	No. of Shares	Amount	No. of Shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
		(Unaudited)		(Audited)
Authorised:				
Ordinary Shares of HK$0.01 each	20,000,000	200,000	20,000,000	200,000
Issued and fully paid:				
Ordinary Shares of HK$0.01 each				
At beginning of the period/year	6,445,000	64,450	6,320,000	63,200
Issue of consideration Shares upon acquisition *(note)*	604,000	6,040	—	—
Issue of Shares upon conversion of convertible bonds	—	—	125,000	1,250
At end of the period/year	7,049,000	70,490	6,445,000	64,450

Note: On 17 July 2015, 604,000,000 Shares were issued to Mr. John Edward Hunt as the consideration for the acquisition of the 100% equity interests in MOX Products Pty Limited.

20. COMMITMENTS

(a) Capital commitments outstanding but not provided for in the interim results:

	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Contracted but not provided for:		
Renovation of new office	1,752	1,815
	1,752	1,815

(b) As at 30 September 2015, the total future minimum lease payments under non-cancellable operating leases were as follows:

	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Within one year	4,032	5,363
In the second to fifth year inclusive	11,570	11,014
Over five years	2,020	4,094
	17,622	20,471

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases are negotiated for an average term of 2 to 10 years during which rentals are fixed. None of the leases includes contingent rentals.

21. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions.

(a) Balances with related parties

At the end of each reporting period, the Group had the following balances with related parties:

Amount due to a Director

	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Wong Chit On	1	1

The amount is unsecured, interest-free and repayable on demand.

(b) Transactions with key management personnel

The remuneration of the Directors and other key management personnel of the Group during the period was as follows:

	For the six months ended 30 September	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	5,302	4,237
	5,302	4,237

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the following events took place after the reporting period:

On 20 November 2015, (i) the Company entered into a memorandum of understanding (the "MOU") with Gilat Satellite Networks Ltd. ("Gilat") for developing a strategic cooperation in the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products; and (ii) the Company has nominated its wholly-owned subsidiary, Vastsuccess Holdings Limited ("Vastsuccess"), to enter into the sales agreement with Gilat for purchasing gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US$12,392,924 (equivalent to approximately HK$96,700,000).

On 27 November 2015, Vastsuccess (as purchaser) and three independent third parties (as vendors) entered into a sale and purchase agreement for the acquisition of 49% equity interest in Sense Field Group Limited ("Sense") from the vendors, for a consideration of HK$195,000,000 to be satisfied by the allotment and issue of 1,323,000,000 consideration shares at the issue price of approximately HK$0.1474 per consideration share upon completion. Such acquisition is mainly for the access to and the expansion of Synertone 1 satellite service business by utilizing Sense's domestic sales network and customer resources as well as its research and production base located in the Yangtze River Delta.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date, save for the followings:

(i) The Group recorded turnover of approximately HK$37.11 million for the six months ended 30 September 2015, representing a decrease of approximately HK$189.9 million or 83.7% as compared with that of approximately HK$227.0 million for the six months ended 30 September 2014, which was mainly attributable to the decline in sales from Synertone 1 satellite system and the drop in sales of digital trunking systems, as disclosed in the interim report of the Company for the six months ended 30 September 2015 ("**Interim Report 2015**"); and

(ii) The Group recorded a loss of approximately HK$52.93 million for the six months ended 30 September 2015, as compared with the profit of approximately HK$100.84 million for the six months ended 30 September 2014, mainly due to the substantial decrease in the turnover from Synertone 1 satellite system business as compared to the corresponding period as disclosed in the Interim Report 2015.

5. INDEBTEDNESS

Borrowings

As at the close of business on 31 January 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$54,770,000 These borrowings comprised (i) secured bank borrowings of approximately HK$29,770,000 which is secured by corporate guarantee; and (ii) unsecured other borrowings of approximately HK$25,000,000. The Group had outstanding finance lease payables of approximately HK$519,561,000. The foresaid finance leases payables of approximately HK$4,761,000 are secured by the lessor's charge over the leased assets with carrying amount of approximately HK$5,460,000 and by the personal guarantees provided by the director.

Contingent liabilities

As at the close of business on 31 January 2016, the Group did not have any contingent liabilities.

Disclaimer

Save as disclosed above, the Group did not have outstanding indebtedness as at the close of business on 31 January 2016 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

6. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Company has sufficient working capital for at least twelve months from the date of this circular, in the absence of unforeseeable circumstances.

7. BUSINESS REVIEW

The Group is a satellite resource operator in research and development and manufacturing satellite equipment, as well as a provider of information network solutions. The Group provides customers with (i) the satellite bandwidth capacity and the bandwidth capacity service; (ii) the right to use for the transmission of satellite broadband Internet access and other applications; (iii) core components of and solutions to specialised communication systems; and (iv) earth-terminal infrastructure of and information network solutions to satellite communication systems. Thanks to its self-initiated research and development efforts and through the acquisition of the related customer resources, intellectual property rights and technical know-how from third parties, the Group designs and develops products and technologies related to digital trunking systems and satellite communications systems.

The Group is principally engaged in five major businesses, namely (i) the digital trunking system business; (ii) the VSAT satellite system business; (iii) the systems technologies business; (iv) Synertone 1 satellite system business; and (v) other business.

For the six months ended 30 September 2015, the Group's turnover was approximately HK$37.1 million, representing a significant decrease of approximately HK$189.9 million or 83.7% when compared to approximately HK$227.0 million for the six months ended 30 September 2014. It was mainly attributable to the fact that adjustments were made to certain business markets and opportunities in light of the comprehensive upgrade measures for the satellite resources network by the Group during the period so as to avoid the potential huge compensation cost derived from the change in services, leading to a substantial decrease in turnover from Synertone 1 satellite system. For the six months ended 30 September 2015, the Group's turnover from digital trunking system was approximately HK$23.4 million, accounting for 63.1% of its total turnover. Turnover from Synertone 1 satellite system was approximately HK$8.4 million, accounting for 22.7% of its total turnover.

On 30 June 2015, Vastsuccess, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party (the "**Vendor**"), to acquire the entire equity interest of MOX Products Pty Limited ("**MOX**") at a consideration of HK$302,000,000 (the "**MOX Acquisition**"), which was satisfied by the issue of 604,000,000 consideration shares to the Vendor at the issue price of HK$0.50 per consideration shares upon completion. The principal businesses of MOX and its direct and indirect wholly-owned subsidiaries, namely 萬科思自動化(上海)有限公司 (Wankesi Automation (Shanghai) Company Ltd.) and 悉雅特萬科思自動化(杭州)有限公司 (Xiyate Wankesi Automation (Hangzhou) Company Ltd.)(together the "**MOX Group**"), are the design, development and sales of automation control systems for industrial use. Such control systems are widely used in various industries to monitor pressure, temperature, fluid levels, traffic condition etc., including airport control and public utilities control. The consideration of the MOX Acquisition was determined by the Group and the Vendor following arm's length negotiation and with reference to a business valuation report dated 30 June 2015 prepared by Roma Appraisals Limited, a valuer independent to the Group, which has put a valuation of HK$311 million to the MOX Group. The MOX Acquisition was completed on 17 July 2015. Details of the MOX Acquisition were set out in the announcements of the Company dated 30 June 2015, 3 July 2015 and 17 July 2015.

8. PROSPECTS

On 20 November 2015, (i) the Company entered into the MOU with Gilat for developing a strategic cooperation in the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products; and (ii) Vastsuccess entered into the sales agreement with Gilat for purchasing gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US$12,392,924 (equivalent to approximately HK$96,700,000).

On 27 November 2015, the Company entered into a purchase agreement for the acquisition of 49% equity interest in Sense Field Group Limited ("**Sense**"), for a consideration of HK$195,000,000 to be satisfied by the allotment and issue of 1,323,000,000 consideration shares at the issue price of approximately HK$0.1474 per consideration share upon completion. Such acquisition is mainly for the access to and the expansion of Synertone 1 satellite service business by utilizing Sense's domestic sales network and customer resources as well as its research and production base located in the Yangtze River Delta. As at the date of this circular, the acquisition has been completed.

Looking forward, the Company expects that revenue from satellite will decrease for a period of time until the implementation of gateway technology for Synertone 1 satellite, and expects that there will be difficulties in yielding considerable revenue during the year. The Company is striving to provide comprehensive market opportunities for its business development through identifying more channels and markets in various ways, and planning to launch new products of satellite system in line with the high-speed resources and information services of the fully upgraded Synertone 1 in the coming year. The Company is confident of the business improvement and development initiatives under planning. It is expected that the Company's continuous innovation and efforts will present it a brand new image in the coming year.

1. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

7 March 2016

The Board of Directors
Synertone Communication Corporation
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon
HONG KONG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

We have completed our assurance engagement to report on the compilation of pro forma financial information of Synertone Communication Corporation (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2015 and related notes as set out on page II-4 of the circular issued by the Company dated 7 March 2016 (the "**Circular**"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in page II-4 of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed rights issue of not less than 1,674,400,000 rights shares and not more than 1,829,279,995 rights shares at the subscription price of HK$0.125 per rights shares on the basis of one rights share for every one consolidated share held by the qualifying shareholders at the close of business on the record date (the "**Rights Issue**") on the Group's financial position as at 30 September 2015 as if the Rights Issue had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements for the period ended 30 September 2015, on which no audit or review report has been published.

Directors' Responsibility for the Pro forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were address by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (the "**HKSAE**") 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction of unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) The pro forma financial information has been properly compiled on the basis stated;

(b) Such basis is consistent with the accounting policies of the Group; and

(c) The adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

2. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared on the basis set out on the notes below for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 September 2015 or at any future date.

	Unaudited consolidated net tangible liabilities of the Group as at 30 September 2015	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group after completion of the Rights Issue	Unaudited consolidated net tangible liabilities of the Group per Consolidated Share attributable to the equity holders as at 30 September 2015	Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after completion of the Rights Issue
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on 1,674,400,000 Rights Shares to be issued at a subscription price of HK$0.125 per Rights Share	(171,870)	207,000	35,130	(0.122)	0.010

Notes:

1. The Rights Issue of 1,674,400,000 Rights Shares is based on 8,372,000,000 Shares is issued as at the Latest Practicable Date and adjusted by the Share Consolidation.

2. The consolidated net tangible liabilities of the Group as at 30 September 2015 is calculated based on the capital and reserves attributable to the owners of the Company as at 30 September 2015 of approximately HK$630,669,000 after deducting intangible assets and goodwill of approximately HK$560,657,000 and HK$241,882,000 as at 30 September 2015 as extracted from the published interim report of the Company for the period ended 30 September 2015.

3. The estimated net proceeds from the Rights Issue are based on 1,674,400,000 Rights Shares to be issued at the Subscription Price of HK$0.125 per Rights Share, after deduction of the related estimated expenses of approximately HK$2,300,000.

4. The number of Shares used for the calculation of unaudited consolidated net tangible liabilities per Consolidated Share is 1,409,800,000, representing shares in issue as at 30 September 2015, which has been adjusted for the Share Consolidation as if the Share Consolidation had taken place as at 30 September 2015.

5. The unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after completion of the Right Issue is arrived at on the basis that 3,348,800,000 Consolidated Shares were in issue assuming the Rights Issue had been completed on 30 September 2015.

6. No adjustment has been made to reflect any trading results or other transactions of the Company entered into subsequent to 30 September 2015.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than the information relating to the Underwriter and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein (other than the information relating to the Underwriter and parties acting in concert with it) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Underwriter and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Underwriter and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Underwriter, namely Mr. Wong Chit On, accepts full responsibility for the accuracy of the information relating to the Underwriter and parties acting in concert with it contained in this circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by the underwriter and parties acting in concert with it in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation and the Increase in Authorised Share Capital; and (iii) immediately after completion of the Rights Issue (assuming a minimum number of Rights Shares to be issued and no other new Shares being issued or repurchased by the Company on or before the Record Date) and the Increase in Authorised Share Capital are set out as follows:

(i) as at the Latest Practicable Date:

Authorised capital:		*HK$*
20,000,000,000	Shares	200,000,000
Issued and fully paid or credited as fully paid:		
8,372,000,000	Shares as at the Latest Practicable Date	83,720,000

(ii) immediately upon the completion of Share Consolidation and the Increase in Authorised Share Capital:

Authorised capital:		*HK$*
8,000,000,000	Consolidated Shares	400,000,000
Issued and fully paid or credited as fully paid:		
1,674,400,000	Consolidated Shares	83,720,000

(iii) immediately after completion of the Rights Issue and the Increase in Authorised Share Capital:

Authorised capital:		*HK$*
8,000,000,000	Consolidated Shares	400,000,000
Issued and fully paid or credited as fully paid:		
1,674,400,000	Consolidated Shares	83,720,000
1,674,400,000	Minimum number of Rights Shares to be issued	83,720,000
3,348,800,000	Total	167,440,000

All of the Rights Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company have (i) 114,399,976 outstanding Vested Share Options which in aggregate entitle holders thereof to subscribe for 114,399,976 Shares (or 22,879,995 whole Consolidated Shares) and (ii) 660,000,000 warrants which entitle the holders thereof to subscriber for 660,000,000 Shares (or 132,000,000 Consolidated Shares). Save for the Share Options and the Warrants, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the Latest Practicable Date.

There were 1,927,000,000 Shares allotted and issued since 31 March 2015, being the date on which the latest audited financial statements of the Group were made up, up to the Latest Practicable Date.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position in the Shares, underlying Shares or Consolidated Shares

Name	Nature of interest	Number of Shares/underlying Shares held	Approximately percentage of the Company's issued share capital
Mr. Wong Chit On	Interest of controlled corporation *(Note 1)*	1,230,000,000 Shares	14.69%
	Interest of controlled corporation *(Note 1)*	1,828,879,995 Consolidated Shares *(Note 2)*	43.27% *(Note 3)*
	Beneficial owner	6,000,000 underlying Shares *(Note 4)*	0.07%
Mr. Han Weining	Beneficial owner *(Note 4)*	6,000,000 underlying Shares	0.07%
Mr. Lam Yung Hung Andy	Beneficial owner *(Note 4)*	6,000,000 underlying Shares	0.07%
Mr. Hu Yunlin	Beneficial owner *(Note 4)*	6,000,000 underlying Shares	0.07%

Notes:

1. These interest in Shares or Consolidated Shares are held by Excel Time, which is wholly and beneficially owned by Mr. Wong Chit On. By virtue of the SFO, Mr. Wong Chit On is deemed to be interested in these 1,230,000,000 Shares and 1,828,879,995 underlying Consolidated Shares. Mr. Wong Chit On is the sole director of Excel Time.

2. These include the interests of Excel Time in (i) 246,000,000 Rights Shares under the irrevocable undertaking given by Excel Time to the Company of its acceptance of the Rights Shares under the Rights Issue; and (ii) 1,582,879,995 Rights Shares underwritten by Excel Time as the Underwriter of the Rights Issue.

3. Based on the enlarged issued share capital after the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue.

4. These underlying Shares represent the Shares which are issuable upon the exercise of the subscription rights attached to the Share Options granted to these Directors, of which one-third have been vested and remain outstanding as at the Latest Practicable Date.

Interests in Excel Time as an associated corporation

Name	**Nature of interest**	**Number and class of securities held**	**Approximately percentage of shareholding**
Mr. Wong Chit On	Beneficial owner	78,000 shares	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Name	Nature of interest	Number of Shares or Consolidated Shares held	Approximately Percentage of the Company's issued share capital
Excel Time	Beneficial owner	1,230,000,000 Shares	14.69%
		1,828,879,995 Consolidated Shares *(Note 1)*	43.27% *(Note 2)*
Ms. Ni Yunzi *(Note 3)*	Beneficial owner	600,000,000 Shares (L)	7.17%
UBS AG	Beneficial owner	1,004,140 Shares (L)	0.01%
	Beneficial owner	1,000,000 Shares (S)	0.01%
	Person having a security interest	520,936,000 Shares (L)	7.40%
UBS Group AG	Interest of a controlled corporation	2,140,000 Shares (L)	0.01%
	Interest of a controlled corporation	2,136,000 Shares (S)	0.01%
	Person having a security interest	525,936,000 Shares (L)	7.40%
Joy Power International Limited	Beneficial owner	480,800,000 Shares (L)	7.46%
Citic Capital Management Limited	Beneficial owner	660,000,000 Shares (L)	10.44%
Xiong Sylvia Wei	Beneficial owner	648,000,000 Shares (L)	7.74%
Cheng Edward	Beneficial owner	540,000,000 Shares (L)	6.45%

(L) denotes long position
(S) denotes short position

Notes:

1. These include the interests of Excel Time in (i) 246,000,000 Rights Shares under the irrevocable undertaking given by Excel Time to the Company of its acceptance of the Rights Shares under the Rights Issue; and (ii) 1,582,879,995 Rights Shares underwritten by Excel Time as the Underwriter of the Rights Issue.

2. Based on the enlarged issued share capital after the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue.

3. These 600 million Shares are held by Excel Time but beneficially owned by Ms. Ni Yunzi. According to the order for divorce made by the District Court of Hong Kong on 30 June 2015, Mr. Wong Chit On shall transfer 1,000 million Shares under the name of Excel Time to Ms. Ni Yunzi as part of the settlement for divorce. 400 million Shares have been transferred to Ms. Ni Yunzi in July 2015 and the remaining 600 million Shares are still under the name of Excel Time pending transfer. As such Excel Time has no beneficial interest in such 600 million Shares and Ms. Ni Yunzi is entitled to all the rights and benefits of such 600 million Shares including participation in the Rights Issue if she so wishes.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which is not determinable by the Company within one year without payment of compensation, other than statutory compensation;

(b) none of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Announcement;

(c) none of the Directors had any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and

(d) save for Mr. Han Weining, Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen, none of the Directors had any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

Details of the service agreement or appointment letter are as follows:

Name of Director	Term of the contract	Amount of remuneration
Mr. Han Weining	Fixed term of 3 years from 25 June 2015 and shall continue thereafter until terminated by giving at least 3 months' notice	(i) director remuneration of HK$1,200,000 per annum; and (ii) any bonus as may be determined by the Board
Mr. Lam Ying Hung Andy	Fixed term of 3 years from 22 March 2015 and shall continue thereafter until terminated by giving at least 3 months' notice	HK$100,000 per annum
Mr. Hu Yunlin	Fixed term of 3 years from 22 March 2015 and shall continue thereafter until terminated by giving at least 3 months' notice	HK$100,000 per annum
Mr. Wang Chen	Fixed term of 3 years from 25 June 2015	HK$100,000 per annum

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Underwriting Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Goldin Financial Limited (“Goldin”)	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited (“HLB”)	Certified Public Accountants

Each of Goldin and HLB have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter or their name in the form and context in which they respective appear.

Each of Goldin and HLB do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Goldin and HLB do not have any direct or indirect interests in any assets which have been, since 31 March 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

(a) the Underwriting Agreement;

(b) the conditional sale and purchase agreement dated 27 November 2015 and entered into between Vastsuccess Holdings Limited (“Vastsuccess”), a wholly owned subsidiary of the Company, as the purchaser, and Cheng Edward, Xiong Sylvia Wei and Hua Shu as the vendors pursuant to which the Group shall acquire 49% of the issued share capital of Sense Field Group Limited at a consideration of HK$195 million which has been satisfied by the issue of 1,323,000,000 Shares by the Company at the issue price of HK$0.1474 per Share;

(c) the memorandum of understanding dated 20 November 2015 entered into between the Company and Gilat Satellite Networks Ltd. (“Gilat”), a public company headquartered in Israel that develops and sells a wide range of satellite ground segment equipment and VSATs in relation to the strategic cooperation between the parties in relation to the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products;

(d) the agreement entered into between Vastsuccess and Gilat dated 20 November 2015 for the purchase by Vastsuccess from Gilat of gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US$12,392,924 (equivalent to approximately HK$96.7 million);

(e) the conditional sale and purchase agreement dated 30 June 2015 entered into between Mr. John Edward Hunt as the vendor and Vastsuccess as the purchaser for the entire issued share capital of Mox Products Pty Limited at the consideration of HK$302 million which has been satisfied by the issue of 604,000,000 Shares by the Company at HK$0.5 per Share;

(f) the conditional sale and purchase agreement dated 26 September 2014 entered into between Yilong Developments Limited (億龍發展有限公司), a company incorporated in the British Virgin Islands, as the vendor, Radio World Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, as the purchaser and Dr. Wu Xiaowen (吳曉文) as guarantor regarding the sale and purchase of the entire issued share capital of Thrive United Holdings Limited (合茂控股有限公司) at a consideration of HK$90 million; and

(g) the conditional warrant subscription agreement dated 28 August 2014 entered into between Citic Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, as the subscriber and the Company as the issuer in relation to the issue of a total of 660,000,000 unlisted warrants conferring rights to subscribe for 660,000,000 Shares at the subscription price of HK$0.59 per Share (subject to adjustment) during the exercise period of five years.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK$2.3 million and are payable by the Company.

11. CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Room 1012, 10/F Tsim Sha Tsui Centre 66 Mody Road Kowloon, Hong Kong
Company Secretary	Mr. Tse Kam Fai, *FCIS, FCS, HKIoD* Room 1012, 10/F Tsim Sha Tsui Centre 66 Mody Road Kowloon, Hong Kong
Legal advisors to the Company	*As to Hong Kong law:* Michael Li & Co 19th Floor, Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong *As to Cayman Islands law:* Conyers Dill & Pearman Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Independent financial adviser to the Independent Board Committee in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver	Goldin Financial Limited Suites 2202–2209, 22/F Two International Finance Centre 8 Finance Street Central, Hong Kong
Auditors	CCIF CPA Limited *Certified Public Accountants* 9/F., Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong

Reporting accountants	HLB Hodgson Impey Cheng Limited Certified Public Accountants 31/F., Gloucester Tower The Landmark 11 Pedder Street Central, Hong Kong
Underwriter	Excel Time Investments Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands
Principal share registrar and transfer office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	*In Hong Kong:* The Hongkong and Shanghai Banking Corporation Limited *In the PRC:* Bank of China

12. MISCELLANEOUS

(a) As at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue.

(b) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

(c) The executive Directors of the Company are Mr. Wong Chit On (Chairman) and Mr. Han Weining (chief executive officer). The independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen.

(d) The sole shareholder and sole director of Excel Time is Mr. Wong Chit On, and therefore Mr. Wong Chit On is also a party acting in concert with the Underwriter. Save for the above, there are no other parties acting in concert with the Underwriter.

13. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALING IN SHARES

As at the Latest Practicable Date,

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter (and parties acting in concert with it) and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to any parties acting in concert with any of them under the Rights Issue or as a result of the obligation under the Underwriting Agreement;

(b) save as disclosed in the section headed "Shareholding structure of the Company" in the Letter from the Board of this circular, none of the Underwriter nor any parties acting in concert with it held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company. In addition, none of the Underwriter nor any parties acting in concert with it had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(c) save as disclosed in paragraph headed "3. DISCLOSURE OF INTERESTS" in this appendix, none of the directors of Excel Time was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of Excel Time had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(d) no person (including the Directors) had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, and to accept or reject the Rights Issue save and except that: (i) Excel Time and Mr. Wong Chit On abstain from voting with regards to these resolutions; (ii) Excel Time has given an undertaking to subscribe its entitlement as a Shareholder and to underwrite the Rights Issue; and (iii) Mr. Wong Chit On has given an undertaking to subscribe for his entitlement as a Shareholder if he has exercised any Vested Share Options into Shares or Consolidated Shares before the Record Date;

(e) save and except that Excel Time is holding 600,000,000 Shares pending transfer to Ms. Ni Yunzi as part of the settlement for divorce pursuant to the court order (in which case the beneficial interest of such 600,000,000 Shares shall belong to Ms. Ni Yunzi who is entitled to all the rights and benefits of such 600,000,000 Shares, including participation in the Rights Issue), the Underwriter and parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) none of the Company nor the Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares to any person;

(g) save as disclosed in the paragraph headed "3. DISCLOSURE OF INTERESTS" in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(h) save for Mr. Wong Chit On, who is the sole shareholder and director of Excel Time, none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of Excel Time or similar rights which are convertible or exchangeable into shares of the Underwriter. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of Excel Time during the Relevant Period;

(i) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;

(j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company during the Relevant Period. In addition, save for the Underwriting

Agreement, there is not any agreement or arrangement between any director of the offeree company and any other person which is conditional on or dependent upon the outcome of the Rights Issue and the Whitewash Waiver;

(k) no Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;

(l) none of the Underwriter and parties acting in concert with it nor any Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with Share Consolidation, the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(n) save for the Underwriting Agreement and the undertaking given by each of Excel Time and Mr. Wong Chit On to subscribe for its/his entitlement as Shareholder under the Rights Issue, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between Excel Time, the Underwriter and parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver; and (ii) between any Directors and any other persons having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(o) save for those set out in the section headed "Conditions of the Rights Issue" in the Letter from the Board of this circular, there was no agreement or arrangement to which the Underwriter or any party acting in concert with it which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue; and

(p) save and except the Underwriting Agreement in which Mr. Wong Chit On is an executive Director and the sole director and shareholder of the Underwriter, there was no material contract entered into by the Underwriter or any parties acting in concert with any of them in which any Directors has a material personal interest.

14. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the Latest Practicable Date and ending on the Latest Practicable Date, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
31 August 2015	0.156
30 September 2015	0.158
30 October 2015	0.156
30 November 2015	0.137
31 December 2015	0.120
29 January 2016	0.075
5 February 2016 (the Last Trading Day)	0.076
29 February 2016	0.063
4 March 2016 (the Latest Practicable Date)	0.063

The lowest and highest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.0430 on 16 February 2016 and HK$0.2270 on 6 August 2015 respectively.

15. DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address

Name	**Correspondence address**
Mr. Wong Chit On	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road Kowloon, Hong Kong
Mr. Han Weining	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road Kowloon, Hong Kong
Mr. Lam Ying Hung Andy	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road Kowloon, Hong Kong
Mr. Hu Yunlin	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road Kowloon, Hong Kong
Mr. Wang Chen	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road Kowloon, Hong Kong

(b) Qualification and position held

Executive Directors

Wong Chit On (王浙安) ("Mr. Wong"), (formerly known as Wang Gang Jun (王鋼軍)) aged 56, is the founder of the Group and was appointed as a Director in October 2006 and is currently an executive Director and the chairman of the Group. Mr. Wong is also a director of certain subsidiaries of the Company. He is primarily responsible for formulating the overall corporate strategy of the Group and the management of the Board. Mr. Wong founded the Group in 2001 and has over 15 years of experience in the specialised communication industry. He was an executive director and the chairman of China Fortune Investments (Holdings) Limited (中國幸福投資(控股)有限公司) (formerly known as China Public Healthcare (Holding) Limited (中國公共醫療(控股)有限公司) and Global Resources Development (Holding) Limited (大地資源發展(控股)有限公司)) from 1999 to 2001, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8116). In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, Mr. Wong served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association (深圳市專家工作聯合會). In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China" (2009中國優秀創新企業家). Mr. Wong was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010. Save as disclosed herein, Mr. Wong did not hold any directorship in any other listed companies in the past three years.

Han Weining (韓衛寧) ("Mr. Han"), aged 53, was appointed as an executive Director and chief executive officer of the Company in February 2011 and June 2015, respectively. From 1989 to 2006, Mr. Han worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific region. Since 2006, Mr. Han has been an executive director of MOX Group in Australia. He graduated from Zhejiang University (浙江大學) with major in wireless electronic technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Save as disclosed herein, Mr. Han did not hold any directorship in any other listed companies in the past three years.

Independent non-executive Directors

Lam Ying Hung Andy (林英鴻) ("Mr. Lam"), aged 51, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee (the "Audit Committee") and a member of each of the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") of the Company. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. Mr. Lam is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in E-commerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. Mr. Lam is currently the managing consultant of Lontreprise Consulting Limited, and has been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of Xingfa Aluminum Holdings Limited (Stock Code: 0098) and Brilliant Circle Holdings International Limited (Stock Code: 1008), the shares of which are listed on the Stock Exchange. Mr. Lam was an independent non-executive director of Sino-Life Group Limited (Stock Code: 8296) and Gamma Logistic Corporation (now known as Dafeng Port Heshun Technology Company Limited) (Stock Code: 8310) for the period from 16 February 2009 to 3 October 2012, 22 August 2013 to 12 June 2014 respectively. Save as disclosed herein, Mr. Lam did not hold any directorship in any other listed companies in the past three years.

Hu Yunlin (胡雲林) ("Mr. Hu"), aged 53, was appointed as an independent non-executive Director in February 2011. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Hu graduated from People's Liberation Army Air Force Electronic Communication Engineering Institute (中國人民解放軍空軍電訊工程學院) in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited (珠海吉迪特通信器材有限公司) since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited (珠海高淩信息科技有限公司) since 2000. Save as disclosed herein, Mr. Hu did not hold any directorship in any other listed companies in the past three years.

Wang Chen (王忱) ("Mr. Wang"), aged 50, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. He holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Mr. Wang is the Chairman of Guangzhou SKYI Information Technology Co., Ltd., a company established in 2006 and engages in development on software of quality assurance and general automated test system, since 2006. Mr. Wang did not hold any directorships in other listed public companies in the past three years.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business at Room 1012, 10/F Tsim Sha Tsui Centre 66 Mody Road Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays, and on the websites of the Company (www.synertone.net) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the EGM.

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of Excel Time;

(c) the annual reports of the Company for the years ended 31 March 2014 and 2015 respectively and the interim report of the Company for the six months ended 30 September 2015;

(d) the material contracts (including the Underwriting Agreement) as referred to in the paragraph headed "Material contracts" in this appendix;

(e) the service contracts as referred to in the section headed "Directors' Service Contracts" in this appendix;

(f) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;

(g) the accountant's report on the unaudited pro forma financial information of the Group from HLB Hodgson Impey Cheng Limited, the text of which as set out in appendix II of this circular;

(h) the letter from the Board, the text of which is set out from pages 12 to 35 of this circular;

(i) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this circular;

(j) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 38 to 61 of this circular;

(k) the irrevocable undertaking by Excel Time;

(l) the irrevocable undertaking by Mr. Wong Chit On; and

(m) this circular.

SYNERTONE

協同通信集團有限公司

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of Synertone Communication Corporation (the "Company") will be held at 9:00 a.m. on Wednesday, 23 March 2016 at 9/F., Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, China for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue and to be issued, every five (5) issued and unissued Shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK$0.05 (the "Consolidated Share"), with effect on the business day next following the date on which this resolution is passed (the "Share Consolidation") and such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the memorandum and articles of association of the Company, and any one director (the "Director") of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Consolidation."

2. "**THAT** subject to the passing of resolution no. 1 above and subject to the fulfilment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transaction contemplated thereunder be and are hereby approved:

   (a) for the purpose of this resolutions, "Rights Issue" means the proposed issue by way of rights issue of not less than 1,674,400,000 Consolidated Shares (the "Rights Shares") and not more than 1,829,279,995 Rights Shares at the subscription price of HK$0.125 per Rights Share to the qualifying shareholders ("Qualifying Shareholders") of the Company whose names appear on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the "Excluded Shareholders") with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one (1) Rights Share for every one (1) Consolidated Share held subject to the fulfilment or waiver of the conditions and terms set out in the underwriting agreement dated 5 February 2016 (the "Underwriting Agreement", including, if any, all supplemental agreements or deeds relating thereto) entered into among, the Company and Excel Time Investments Limited (the "Underwriter"), (a copy of the Underwriting Agreement having been produced to the meeting marked "A" and initialled by the chairman of the EGM for the purpose of identification);

(b) the Directors be and are hereby authorized to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;

(c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;

(d) the absence of arrangements for application for the Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue be and are hereby approved, confirmed and ratified; and

(e) any Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders."

3. "**THAT** the terms of the application for a waiver (the "Whitewash Waiver") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to the Underwriter pursuant to Note 1 on the Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from an obligation to make a general mandatory offer for all the issued shares of the

Company not already owned by the Underwriter and the parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver."

4. "**THAT** subject to and following the Share Consolidation becoming effective, the authorised share capital of the Company be and is hereby increased from HK$200,000,000 divided into 4,000,000,000 Consolidated Shares of HK$0.05 each to HK$400,000,000 by the creation of an additional 4,000,000,000 Consolidated Shares of HK$0.05 each; and any one or more Directors be and is/are authorized to do all such acts and things and execute all such documents which he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the increase in authorized share capital above."

By the order of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

Hong Kong, 7 March 2016

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

Notes:

1. A member of the Company ("Shareholder") entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

3. Where there are joint registered holders of any shares of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if the Shareholder so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.